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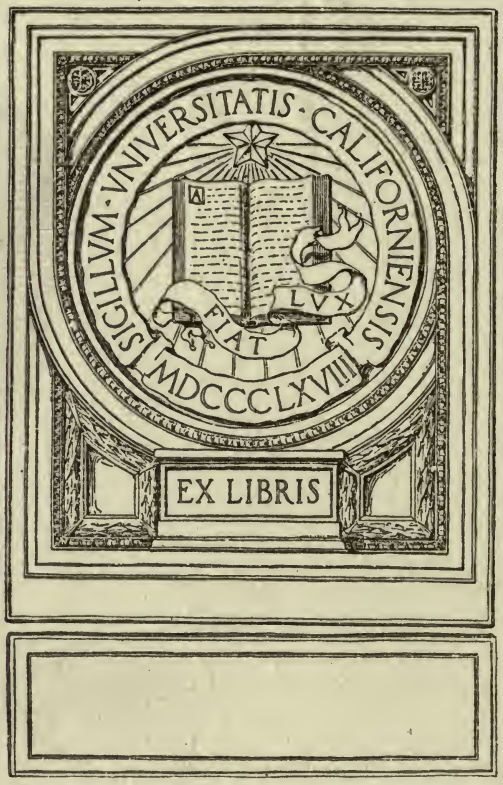
MODERN BANKING METHODS

TELLERS AND BOOKKEEPERS

BY
GEORGE O. BORDWELL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MODERN BANKING METHODS

AS APPLIED TO THE

TELLERS AND BOOKKEEPERS

BY

GEORGE O. BORDWELL

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of San Francisco

UNIV. OF
CALIFORNIA

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whose liberal policy has encouraged the study and investigation of bank methods and the development of an efficient and elastic system for the handling of bank business.

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PREFACE

The majority of inquiries as to banking methods refer to the bookkeeping system. The success of any bookkeeping system depends upon the promptness and frequency with which the checks and deposit tags are received by the bookkeepers, also upon the early development each day of accurate figures with which each bookkeeper shall balance.

Any description of the bookkeeping system must therefore include the work of the tellers. It is often more necessary to improve the tellers' methods and their blotter system than to make any alteration in the bookkeeping system. Both are frequently necessary. Loose-leaf blotters for the tellers and loose-leaf ledgers for the bookkeepers are rapidly replacing bound books.

The following pages, devoted to modern banking methods as applied to the tellers and bookkeepers, show the operation of these loose-leaf records and are offered as a partial record of today's progress in banking methods, in the hope that they will prove of value here and there among banks whose methods have not reached their highest efficiency.

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INTRODUCTION

An attempt to establish an Interior Proving department to receive checks from the tellers, assort them into bookkeepers' subdivisions and prove them to the tellers' figures, was made by a San Francisco bank in 1908. Old-style adding machines were used, time was lost assembling the many totals, each bookkeeper was required to give up an hour each day to work in the Interior Proving department, it was impossible to compel co-operation, general confusion resulted and the plan was abandoned. An effort to install the Baker-Vawter loose leaf ledger system in the bookkeeping department two years later nearly met with similar failure. There were seven ledger men, seven statement men and one clerk assorting checks. Work of the fifteen men was finally redistributed; twelve of them were assigned to ledgers, with statement work in the morning, and three to an Interior Proving department. The difficulties ended at once, the fifteen men handled more work than before, there was less friction and the records were clearer and more convenient.

Records Co-related

Few of the twenty-eight thousand banks in the United States use identical forms and methods throughout. Certain principles, however, may be applied to all. The smallest bank has only one employee. He is cashier, teller and bookkeeper. He handles the work assigned in larger banks to the Paying, Receiving, In-Mail, Exchange, Collection, Note and Vault tellers. The following pages describe the records and work of these tellers, also of the Clearing House teller, the bookkeepers, the Interior Proving department and the General bookkeeper. These records and methods have been welded by the writer into a system which is practicable alike for large and for small banks, regardless of the number of departments and the quantity of work. Other tellers and departments, such as the Certified Checks teller, Shipments teller, Railroad

teller, Steamship teller, Foreign Exchange teller, Transit department, Analysis department, Credit department and Auditing department, are not included in the description, because the object is to make clear the general plan of this system rather than to cover such details.

Records Essential to This System

Every check is assorted and listed many times between its issuance by the drawer and its final return to him. Many interdependent records are developed as it passes through each bank. Each record in this system is planned with the others in mind. All are co-related. Tellers' blotters are consolidated and balanced by the tellers. Each teller balances his work at frequent intervals, independently of the other tellers; together the blotters make one complete and uniform record, arranged as if the work of all the tellers were done by one large department or by one man. The totals of records in the Bookkeeping and other departments must balance with and check respective totals on the tellers' blotters. They are then carried to the General books and must be correct in order that the General books shall balance. The general books must balance with the totals of the tellers' blotters. The blotters and other records form an open history in which the course of every check through the bank can be readily traced.

The following records are essential to this system:

The tellers' blotters, which are loose-leaf in form. The tellers list all their items in detail on large sheets by use of the adding machine. The totals are assembled and the sheets fastened together each day into one volume, with the grand totals on the top sheet.

The Interior Proving department's records. When bookkeepers' subdivisions are not made by the tellers, an "Interior Proving department" subdivides Individual Checks and lists them direct to each of the bookkeepers' subdivisions, keeping separate the checks and deposits from the different tellers, proving the tellers' work and furnishing figures with which the bookkeepers balance. The Interior Proving department's records are consolidated into one volume at the end of each day.

The bookkeepers' "Daily Check Proof," or "Daily

Proof of Checks and Deposits," which is an adding machine record of all checks and deposits handled by the bookkeepers. A separate sheet is used by each bookkeeper and all are assembled into one volume at the end of each day.

The bookkeepers' Individual Ledgers, which are books of original entry and are loose-leaf in form.

The Vault record, which is separate from the Paying teller's records and shows the total amount of coin and currency transferred each day between the tellers and the vault.

The General Ledger, in which fluctuations in the bank's resources and liabilities are recorded, and in which the totals from all records are centralized.

These records, excepting the ledgers, are filed by dates in the Auditing department.

Check Divisions

The following divisions of checks must be made on every teller's blotter:

Transit Account, to which are listed checks on out-of-town banks located within the United States and Canada,

A. M. Clearing, to which are listed checks payable through the Clearing House and to be cleared during the current day,

P. M. Clearing, to which are listed checks payable through the Clearing House but too late for the current day's exchanges,

City Cash Collections, to which are listed local drafts or collections and checks on other local banks not payable through the Clearing House,

General Ledger Checks, to which are listed debits to the bank's own accounts (such as: Certified Checks, Cashier's Checks, Transit Exchange et cetera and debits against secured deposits,

Individual Checks, to which are listed checks of depositors, individuals, firms, corporations and banks.

(**Warrants on Treasurer of the United States** may be carried in a separate division, when desirable.)

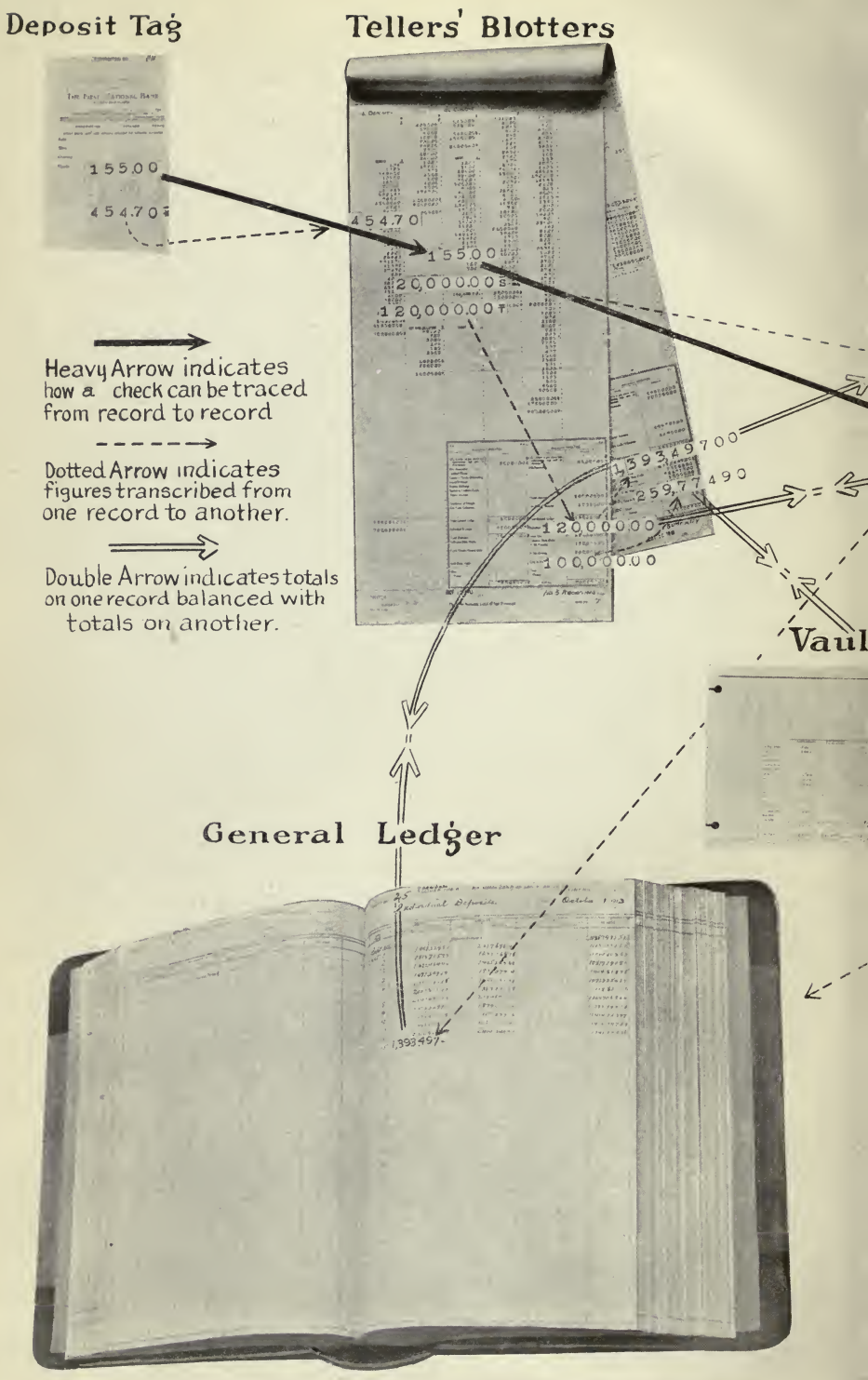
After being listed on the tellers' blotters, these checks are sent to the various departments of the bank for further record. The totals are carried to the General books from the depart-

ments' records rather than from the tellers' blotters, with the result that each department must balance with the tellers before the General bookkeeper can balance.

The Summary of All Tellers' Blotters, attached to and a part of the volume of tellers' blotters for the day, shows one final total for each division of checks, also one total each for debits and credits to various General Ledger accounts. The Summary contains debit and credit totals with which the General books must balance. The General bookkeeper is not obliged to assemble the tellers' figures or to locate errors which the tellers have overlooked. The tellers consolidate and prove their own figures and staple their blotter sheets into one volume, before the blotters are delivered to the General bookkeeper.

Items Readily Traced

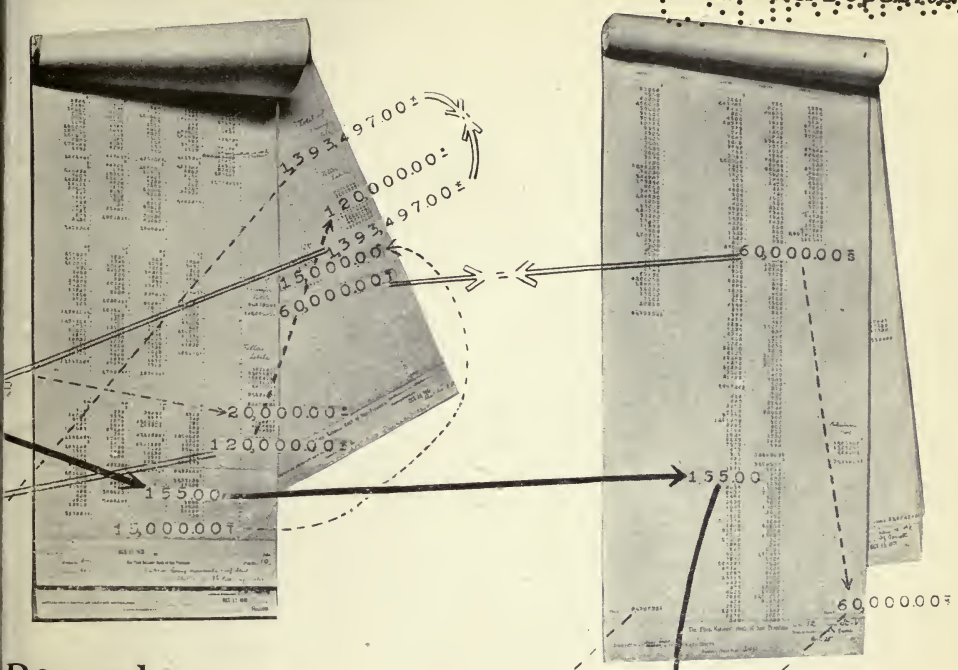
One test of a successful system is that information can be readily obtained. With these records, a deposit of a given amount can be located in a moment on one of the tellers' blotter sheets and on a bookkeeper's Daily Deposit Proof sheet, from which it can be readily traced to the bookkeeper's ledger. An individual check is traced through the Interior Proving department's records from a teller to a bookkeeper's subdivision and thence to his Daily Check Proof sheet and one of his ledger accounts or, in the opposite direction, from the bookkeeper's records through the Interior Proving department to a teller's blotter. Checks are readily traced from a department's records through the teller's blotters to the deposit tags. Information as to all the transactions in one account for a given period is obtained by reference in the ledger to one page or set of pages containing a record of the transactions for only that account.



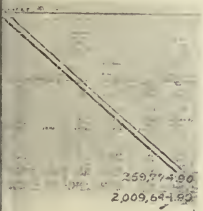
The Essential Record

nterior Proving
Department's records

Bookkeepers Daily Proof
of Checks and Deposits



Record



Individual Ledger

of a Modern Bank

CHAPTER I

THE INTERIOR PROVING DEPARTMENT

Details of System Vary with Size of Bank

The tellers' blotters must always show the daily totals of Individual Checks and of Individual Deposits or of Individual checks and deposits combined with General Ledger checks and deposits; the bookkeepers' totals must always balance with the tellers' totals. The tellers should always list the checks and deposit tags in their blotters before they are given to the bookkeepers.

In the small bank where the teller is also the bookkeeper, these distinctions are followed loosely, if at all. The cashier, acting as teller, lists the items in his blotter and then gives them to himself acting as bookkeeper, to be entered in the ledger. As bookkeeper, he checks his previous teller work. The Daily Check Proof, being a duplication of a portion of his blotter, would serve no useful purpose and is, therefore, omitted. The balances for the current day and the balances for the previous day of those ledger accounts in which there have been transactions are listed and separate totals obtained. If the difference between the two totals is equal to the difference between checks and deposits for the current day, the ledger may be considered in balance. Once or twice a month all balances in the ledger are listed on the adding machine and totaled, to prove that the ledger is in balance.

As the bank becomes larger, the bookkeeper's work becomes more of a check on the teller's work. A noticeable feature in many banks is the dependence of the bookkeepers on the tellers. If the tellers send their checks and deposit tags frequently and promptly to the bookkeepers and if they list these items accurately in their blotters, the work of the book-

keeper runs smoothly; but if the tellers delay their items or if their figures are inaccurate, the bookkeeper's task is made difficult. When a bank has more than half a dozen bookkeepers, some intermediate department to serve as a buffer between the tellers and the bookkeepers becomes necessary. Such a department may be called the "Interior Proving department."

With only a few bookkeepers, it is a simple matter for the tellers to assort deposit tags and checks alphabetically to bookkeepers' subdivisions and to list them in these subdivisions on their blotter sheets. When many bookkeepers are necessary, the items are more numerous, there are more subdivisions, there are more tellers and "strikers",* the assorting becomes more burdensome, corrections to adjust errors become more frequent, more blotter space is required, more totals must be made and carried forward and it becomes impracticable for the tellers to assort to bookkeepers' subdivisions. The assorting must be centralized. It may be done by the various bookkeepers in rotation or may better be assigned to one or more clerks, the items to be assorted by them at certain regular hours each day. These clerks form the nucleus for the "Interior Proving department."

Record and Proof of Deposits

Each bookkeeper must list each day on a Daily Deposit Proof sheet all the deposit tags which he has received; the grand total of these lists from all the bookkeepers must balance with the total of deposits on the tellers' blotters. The number of deposit tags handled is smaller than the number of checks and, therefore, the method of proof for deposits is in many banks different from the method of proof for checks. Some one of the methods described for proof of checks is usually adopted for proof of deposits, the method depending upon the number of deposits handled.

Daily Check Proof in Small Banks

If each bookkeeper lists correctly all checks paid by him each day and the totals from all the bookkeepers are assembled

**The term "striker" is sometimes used in speaking of a Receiving teller's assistant.*

at the end of the day, the grand total of checks paid so obtained should equal the grand total of "Individual Checks" listed on the tellers' blotters.

Such a proof of the total checks paid by the bookkeepers can be readily made in a bank with few bookkeepers. There are relatively few items to be handled by the tellers; there are relatively few places in which errors are apt to occur; differences can be readily located; no entries of any kind are necessary to adjust errors in assorting checks to bookkeepers' subdivisions.

If the bookkeepers' grand total of checks paid does not equal the grand total as listed by the tellers, the bookkeepers interchange their checks and re-list them. To find differences which are not located by this double listing, the bookkeepers' lists must be checked off, item for item*, against the tellers' lists. Each bookkeeper may be required to check his own items against the tellers' items or this work may be assigned in rotation to the different bookkeepers or it may, as a penalty, be assigned to the bookkeeper or teller whose error caused the last previous "check-off."

Interior Proving Department Needed in Larger Banks

This method of proof of checks is not practicable in a bank with a larger number of bookkeepers and more items. The more efficient bookkeeper is discouraged if his day's work is not completed when he has listed his own checks and efficiently completed his own work. If he must wait until all the others have listed their checks and their totals have been assembled or, as an alternative, must interchange checks with some other bookkeeper and re-list them, he has no incentive for any higher degree of efficiency than that of the poorest bookkeeper and the average efficiency of the department is reduced. An Interior Proving department is needed to take the checks from the tellers, assort them into bookkeepers' subdivisions, list them, prove the totals with the tellers' blotters and furnish separate figures with which each of the bookkeepers can balance his Daily Check Proof.

*See Page 121.

Interior Proving Department's Proof Sheets

All individual checks, after they are listed by the tellers on their blotters, are sent in bunches to the Paying tellers at frequent intervals, for verification of the signatures. A label is placed upon each bunch to show the total amount of checks called for by the teller's blotter and the name of the teller. The checks are sent by the Paying teller to the Interior Proving department. They are assorted by the Interior Proving department to bookkeepers' subdivisions and a number assigned to each subdivision. The accompanying labels are retained to be listed with the checks on the Interior Proving department's proof sheet. These proof sheets should be the full width of the adding machine. No proof should occupy more than one sheet. Separate proof sheets should be used for the checks of each teller. Not over four hundred checks and not over six bunches should be included in one proof.

"Transfer totals", showing the total amount of checks listed to each bookkeeper's subdivision, are obtained by use of the Burroughs Duplex adding machine and printed on the proof sheets. These transfer totals are also accumulated in the adding machine; the grand total so obtained is printed on the proof sheet as soon as all the checks for that sheet have been listed. The tellers' totals, reported on the labels received with the checks, are then listed and totaled; this total may be called the "labels total". The grand total of the transfer totals must balance with the labels total. As soon as these totals balance, the checks are distributed to the bookkeepers. With separate proof sheets for the checks of each teller, the labels totals can be readily balanced with total Individual Checks on each blotter.

Checks from the Clearing House teller must always be rushed through to the bookkeepers. Clearing House checks are therefore not held by the Interior Proving department for differences in the proof sheets but, if not in balance, are called back to the lists on the proof sheets and immediately distributed. Differences on these proof sheets are located and adjusted after all the Clearing House checks have been distributed. The Clearing House teller lists all checks on his blotter in the order in which they are received from the other banks and he is therefore unable to keep General Ledger and Transit checks separate from Indi-

vidual Checks. The Interior Proving department must separate and list them on their proof sheets, assigning a number to each of these subdivisions. Transfer totals are made on their proof sheets for General Ledger Checks and for Transit Account.

Missorts and Reclamations

Occasionally a check is missorted, listed to the wrong subdivision and returned by one of the bookkeepers to the Interior Proving department. Other checks are rejected by the bookkeepers, payment refused, and returned to the Interior Proving department. Each error in assorting and listing checks other than those from the Clearing House teller must be adjusted on the proof sheet upon which the check was listed. Rejected checks must be subtracted on these same sheets from the transfer totals, from the grand totals and from the labels totals.

There are so many changes for Clearing House checks that it is not practicable to make them on the original proof sheets. Many Clearing House checks are rejected by the bookkeepers for endorsement, sent out for reclamation and returned to the bookkeepers later in the day. To avoid confusion in the records of the Interior Proving department, a Switch Sheet must be used for all these checks. Only Clearing House checks should be listed on this switch sheet. The sheet should be the same size as the proof sheets and be bound with them at the end of the day. It should be printed with a vertical line through the center, dividing it into equal parts, headed *"DEDUCT FROM* bookkeeper's subdivision number:" and *"ADD TO* bookkeeper's subdivision number:". Under each of these headings should be vertical ruled columns subdivided with a heading for each bookkeeper's subdivision and for General Ledger Checks, Transit checks and "Reclamations", together with a space for proof of the totals.

Checks held out from any bunch of Clearing House checks by the Paying teller for irregular signature or for any other reason are listed by him on the label attached to the checks, under the heading "Reclamations". A subdivision number is assigned by the Interior Proving department to "Reclamations" and the amounts of these checks are listed on their proof sheets in the same manner as though "Reclamations" were a bookkeeper's subdivision.

Checks rejected by the bookkeepers for endorsement or for any other reason are recorded by the bookkeepers on the reverse side of their Daily Check Proof sheets and then returned to the Interior Proving department. Those from the Clearing House teller are listed in the Interior Proving department on the switch sheet under the headings "Deduct from bookkeeper's subdivision number ....." and "Add to Reclamations". Clearing House checks previously held out or sent out for reclamation are, when ready for payment, listed on the switch sheet under the headings "Deduct from Reclamations" and "Add to bookkeeper's subdivision number ....." This provides a record of the whereabouts of every check. The amounts listed under each heading on the switch sheet are totaled and a net total amount obtained for each bookkeeper's subdivision. The sum of the net totals on one side must equal the sum of the net totals on the other side.

Interior Proving Department's Recapitulation Sheets

The Interior Proving department's proof sheets are gathered, the totals assembled and proved and the sheets fastened together at the close of each day's business. A final transfer total is in this way obtained to which each bookkeeper must balance; also a final grand total and a final labels total which must balance with each other and with the total of Individual Checks on the tellers' blotters. This proof sheet may be called the "Interior Proving Department's Final Recapitulation Sheet".

A Clearing House Checks Recapitulation Sheet is made in the same manner, earlier in the day. The grand total and the labels total on this sheet each contain the totals of General Ledger Checks, Transit Account and Reclamations (City Cash Collections), in addition to the total of Individual Checks. The General Ledger Checks and Transit Account totals are reported to the Clearing House teller for use on his blotter and, together with the total of Reclamations, are subtracted from the labels total on this Recapitulation Sheet, making the revised labels total on this sheet equal to the total of Individual Checks. A subtotal of the accumulated transfer totals must be printed on the sheet when all the bookkeepers' totals have been listed and before the General Ledger, Transit and Reclamations totals are listed. This subtotal is the total of Individual Checks for the sheet and, when the

grand totals from the various sheets are carried forward to the Final Recapitulation Sheet, must be used instead of the grand total. It should equal the total of Individual Checks on the Clearing House teller's blotter.

Dividing the checks in this way into sections and proving a few at a time makes simple the balancing of the bookkeepers' check figures with the tellers' check figures. Differences in any one section are not difficult to locate. Differences between the grand total of the labels totals and the grand total of "Individual Checks" on the blotters do not require the checking off of every item and are therefore readily located. Each bookkeeper is given a definite total to which to balance and is not delayed by inefficiency of other bookkeepers. Each bookkeeper can be given more accounts to handle than if required to spend a portion of his time balancing his own and other bookkeepers' check figures with those of the tellers.

CHAPTER II

THE BOOKKEEPERS

Bookkeeping Records

Among those who have tested various bookkeeping methods, the opinion is gaining ground that the Baker-Vawter plan, more nearly than any other, fills the banker's requirements for an ideal bookkeeping system. Using the Baker-Vawter system, one bookkeeper should have no difficulty in handling 450 active accounts and as many inactive as may fall within the same alphabetical sub-division; of these active accounts 35% to 40% might have transactions each day, with a total number of checks each day not less than 300. In addition the bookkeeper pays all checks over $100 for endorsements and all checks for stop-payments, for amounts, for balances, etc. He will also have time to write up the statements for a set of books of similar size.

The bookkeepers have a loose leaf ledger with a separate page for each account; there is no cash book, journal or balance sheet, the ledger being the book of original entry. Each bookkeeper before he leaves at night must have all checks and deposits entered in his ledger and all balances changed for accounts which have moved during the day. He must also list, on the adding machine, all checks received by him during the day and the total of this Daily Check Proof must agree with the Interior Proving department's total for his sub-division. He must fill in the front page of his ledger, showing: total checks for the day, total deposits, net change, net total of balances, total overdrafts and total credit balances. These figures are reported to the General bookkeeper, who must use them in balancing the General books of the bank.*

*See Page 97.

Balances Compared

The checks and deposits are exchanged by the bookkeepers and written on statements the following morning, so that one man writes statements for one sub-division in the morning and ledgers for a different sub-division in the afternoon. All accounts must be kept in the same order in the statement binders as in the ledgers. The balances of all changed accounts are called from the statements to the ledgers and must agree.

These statements facilitate the balancing of the ledgers. Without them, the ledgers must be proved every day, time is lost reviewing entries and computations, differences occur more often and are more difficult to locate. Most depositors accept statements in lieu of having their pass books balanced. For the few who do not do so, the total amount of checks paid can be carried from the statements to the pass books.

Proof of Ledgers

Each bookkeeper must prove his ledger twice a week* by making an adding machine list of all accounts; this list must agree with the figures in front of his ledger which he has previously reported to the General bookkeeper.

A bookkeeper who is careless and inaccurate in the calling of his statements will have difficulty in balancing his ledger and will consume much time in looking for differences. The cash book and balance sheet system invite carelessness in calling statements, because the balancing of the bookkeeper's other records does not depend upon accurate calling of the statements. During the first few days or even weeks after the adoption of the system here described, the time spent in looking for differences is frequently so great as to make the system seem a failure but the men soon learn the need of accuracy.

New employees should be required to balance every day, so as to minimize the time involved in looking for their differences, but the required number of proofs may gradually be diminished until it reaches two a week. A man who cannot get on a twice-a-week basis for ledger proofs is not competent to hold a bookkeeper's position.

**For methods in smaller banks, see Page 13.*

The above is a general outline of the bookkeeping system. The following are minor details which will be developed when the system is put into practice.*

Inactive Accounts

An "Inactive Account" is one which has had no transactions for over two months. The "Inactives" are kept in the back part of the ledger, separate from the active accounts. Directly in front of these inactive accounts, on a ledger page headed: "Inactive Accounts (bookkeeper's subdivision)" is an adding machine list of their balances. The total of this list is treated on the ledger page as a deposit and the ledger page is handled in the same manner as the page for an ordinary active account. In listing the accounts to prove the ledger, its balance is used instead of listing the balances for the fifty or more inactive accounts carried by each bookkeeper. The ledger sheet for an account which becomes active is treated on this page as a debit and its balance is deducted from the balance of "Inactive Accounts", the sheet being transferred to the active section of the ledger before any checks or deposits are entered on it. Additions to the list of inactive accounts are made on the first day of each month.

Accounts of Banks

This system can be readily adapted to the bank accounts. A variation in the ruling of the ledger pages is necessary for different classes of accounts. All must provide for daily total checks, total deposits and balance. Description in the ledgers of office debits and office credits is desirable. Checks and deposits need not be described. Accounts of individuals, firms and corporations have few transactions other than those covered by checks and deposits. Several checks-in-detail columns are necessary but no deposits-in-detail column and only one memorandum column. Accounts of depositing banks require fewer checks-in-detail columns but must provide for deposits in detail and must have a memorandum column in front of each detail column. Accounts of banks

**See also: "Appendix; General Instructions to Bookkeepers."*

with which accounts are carried ("Exchange banks") require more room for description and must have a special column for debit balances.

Bank Balance Sheet

For use of the officers, a bank balance sheet is desirable. One can be ruled to fit the middle space of the adding machine and printed to show the names of all bank accounts, with six spaces after each name, one for each day in the week. The balances are each day listed on this sheet from the ledgers and the totals proved. In this way each balance sheet is made to be part of a valuable reference book for the officers and at the same time serves the purpose of a daily proof of the ledger for each bank-bookkeeper. They are also used in computing the monthly interest payments.

Check-List a Short-Cut

The bank-bookkeepers use a "check-list", written each day on the Burroughs Duplex adding machine. A total is made of the drafts paid for each bank account. The grand total plus any office debits must agree with the total charged by the Interior Proving department and this balancing is done before any entries are made in the ledger. The transfer totals and the office debits are then posted to the ledger. This facilitates the work and simplifies the record in the ledger.

The same plan can be used to advantage on the individual books, by each bookkeeper making up a list of the names of his heaviest accounts and each day listing the checks for each of these particular accounts on the adding machine, then posting the grand total to the Daily Check Proof and the transfer totals to the ledger.

Another method which can be used either in conjunction with or instead of this method is to head one specially ruled page for each large account, number it consecutively with the other ledger pages for the same account and use it on the adding machine, not every day, but only when the number of checks for the account makes it worth while.

Advantages

One of the advantages of this system is that the entire record for each account is by itself, a feature that does not appeal to many people before the adoption of the system but which seems almost indispensable after one has had the privilege of using such records. At the same time the work is not inconveniently scattered; each bookkeeper, in making his proof of checks and deposits each day, produces on one sheet of paper a compact record of the amounts of all checks and deposits for accounts on his division of the books.

Another important feature is that through this system it is possible to use the adding machine to good advantage and to thereby relieve the bookkeeper from much of that mechanical grind which usually makes bank bookkeeping so tedious. The bookkeeper's time and energy is kept free for more important work, such as making each entry in the correct account, preventing overdrafts, rejecting checks upon which payment has been stopped and so forth.

The only accounts handled each day are those which have a change during the day; practically all work on other accounts is eliminated.

With a growing business it is, from time to time, necessary to increase the number of bookkeepers; the loose leaf system makes it possible to make such a change on a moment's notice and without destroying the old record forms or waiting to secure new bound books.

When it is found that, through changes in accounts, one bookkeeper's work has become too great and another's relatively lighter, a few pages can be transferred from one bookkeeper's subdivision to another, in this way equalizing the work between bookkeepers.

In the Auditing department another advantage in connection with this loose leaf system has recently developed. It is essential to have each depositor acknowledge correctness of his account. Many of these acknowledgements cannot be obtained without tracing. A proper method of filing the ledger pages will ensure their being traced. All pages for closed accounts should be sent each day direct to the auditors and by them kept in one binder until the acknowl-

edgments of correctness are received, at which time they may be transferred to their final resting place. Likewise, each bookkeeper should be given one main transfer binder, to which he transfers, each day, those ledger pages which have been filled. He is not allowed to remove them from this binder until they have been checked off by the Auditing department. The pages for those accounts which have not been acknowledged to be correct are thus kept constantly in view. The bookkeeper in order to keep the contents of his transfer binder within moderate limits is anxious to have all accounts verified by the depositors. The bookkeepers therefore prod the Auditing department whenever the Auditing department becomes lax about prodding the depositors.

Variations in Smaller Banks

In some of the smaller banks, the Daily Check Proof, the Deposit Proof and the Ledger Proof are all combined on one wide sheet of paper. Deposits are listed in the first column and checks in the second and third. The new balances for all accounts in which there have been any transactions during the day are listed in the fifth column. The previous day's balances for the same accounts are listed in the same operation* in the fourth column, separate totals being obtained for the old and for the new balances. The difference between the old and new balances must be equal to the difference between the checks and deposits. This method of proof is a short cut only when less than 20% of the balances change each day.

*By use of the Burroughs Duplex adding machine with shuttle carriage.

CHAPTER III

TELLERS' BLOTTERS: OLD METHODS INCOMPLETE

An incident is called to mind which occurred several years ago under the old style (and still much used) blotter system. The Paying tellers one Wednesday night reported a shortage of $1,000. No explanation of the shortage could be found in any of the Paying teller's transactions of the day. A thorough investigation throughout the bank, covering all the work of all the tellers, developed only one possible clew and that very weak. One of the Receiving tellers had on the previous Monday altered one of that day's deposit tags, by increasing the amount of gold listed on the tag from $11,345 to $12,345, at the same time increasing the total of the tag from $64,586.75 to $65,586.75. There was no apparent relation between this alteration and the Paying teller's shortage but nevertheless the transaction was carefully reviewed. The teller had counted the gold twice and was sure he had received $12,345. He had also had the depositor verify his count before he altered the tag.

The currency listed on the tag was $6,775 and the silver $1,796.50, making the total of coin and currency as originally listed, $19,916.50. Possibly the deposit tag had originally been correct in its showing as to total coin and currency. The depositor may have exchanged $1,000 in currency for $1,000 in gold after making up the tag and before bringing it to the bank. In such event, the teller should have noticed, in counting the currency, that there was only $5,775 of currency and not $6,775 as listed on the tag. On this theory the depositor was notified of the difference and, finding his own cash $1,000 over when he balanced his books at the end

of the week, he reimbursed the bank for their $1,000 shortage.

But, how did the difference of Monday at the Receiving desk fail to be discovered until Wednesday, and why did it then appear at the Paying desk?

The Receiving teller delivered his entire gold, silver, currency et cetera to the Paying teller on Monday. The count was checked by the Paying teller and the total found to agree with the amount called for by the Receiving teller's blotter. When all the cash from all the tellers had been assembled by the Paying teller and the totals from the other tellers' blotters had been carried into the Paying teller's blotter, the count was checked by an Assistant Cashier and the total compared with the corresponding total in the Paying teller's blotter. This was the daily routine. In addition to this all of the coin and currency in the bank was thoroughly checked on Tuesday by a National Bank examiner who happened to have selected that as the date of his semi-annual examination. This would appear to be complete proof that the bank's cash was at all times in balance with the amount called for by the blotters. As figures always were taken from the blotters to the General books and never from the General books to the blotters, it would seem to have been impossible for any error at the Receiving desk on Monday to have been passed along to the Paying desk on Wednesday through the medium of the General books. The only explanation remaining was that a series of contra errors had been carried along through the tellers' blotters from Monday until Wednesday.

Thorough investigation of the blotters showed that such contras could very readily have been made through the medium of the Clearing House department, as one set of figures from the Clearing House department entered into the daily make-up of the Paying tellers and another set into the Receiving teller's figures. The investigation of every possible chance by which the Clearing House department could, through a contra error of $1,000, have transferred the shortage from the Receiving teller to the Paying teller, required a week's work.

The contra was never located. The error which made possible the shortage evidently occurred Monday at the Receiving desk. The shortage actually appeared Wednesday at the Paying desk. The depositor had had no dealings with the Paying teller during the week. The Receiving teller's blotter of Monday was in balance. The Receiving teller, therefore, when he accepted from the depositor $1000 for a difference which, according to his records, did not exist, placed himself and the bank in an apparently false position. If he had turned in his coin and currency at the close of each day's business to a Vault teller instead of to the Paying teller, the difference would probably have been found immediately; whenever found, it would have appeared at the Vault rather than at the Paying desk and could, with better grace, have been claimed from the depositor.

It should not be possible for the Paying teller to be thrown out of balance in the record of his transactions with the public through his failure to properly check the count of currency received from tellers. Currency should not be received by him from other tellers. Tellers should not interchange any coin or currency and should have no direct dealings with each other.

The blotter system was defective in that it gave power to the Clearing House department to cause, either deliberately or accidentally, a difference in one department to appear in another department. It was also defective in that a complete audit of the transactions was impossible within a reasonable time.

Steps were immediately taken to prevent any cash transactions between tellers and to so reconstruct the blotter system that a contra error between tellers cannot occur, that the blotters can be thoroughly checked in an hour instead of requiring a week and being then uncertain and that they must be checked automatically each day.

The tellers' blotters are books of original entry and should be as clear and convenient for reference as the ledger records. Checks and deposits are entered from the original documents both in the blotters and in the ledgers. A check or a deposit is sometimes misplaced before reaching the

ledger; they are sometimes entered on the wrong ledger pages. The fact that, on their ledger page under date of June 25th, there is no record of a $243 deposit to the credit of Jones and Company is good evidence that Jones and Company did not make such a deposit but it is not conclusive evidence. The amount may have been credited to some other account. The depositor may have used the wrong rubber stamp in placing the account name at the head of his deposit tag. The fact, however, that no deposit of such an amount was recorded on the tellers' blotters on June 25th can be accepted as conclusive evidence that no such deposit was made.

The blotters, in proper form, with loose leaf sheets for each teller, gathered into one volume at the close of each day's business, are clear and convenient for reference and therefore of much value. The old time blotters were so incomplete and inconvenient as to be practically valueless after a few months. The loose-leaf blotters form a complete, concise record of all transactions, are at all times of great value for reference and should be part of the permanent records of every bank.

CHAPTER IV

THE VAULT TELLER

Having determined to reconstruct the tellers' blotter system, the fact must be recognized that the Paying teller is usually called upon to perform two functions, that of Paying teller and that of Vault teller. In the morning, acting as Paying teller, he receives from himself as Vault teller, sufficient coin for his expected use for the day. He then acts strictly as Paying teller until after his own day's work is balanced, after which, acting as Vault teller, he accepts from himself as Paying teller and from all other tellers, all coin, currency and cash items which they may have in their temporary possession. He assembles all this coin et cetera, enters figures from each of the tellers in his "Paying teller's" blotter and, for a second time that afternoon, strikes a balance. He has now been acting as Vault teller and, as such, is the custodian of the bank's cash.

Where possible, these separate functions should be performed by separate men, a Paying teller and a Vault teller. The Vault teller, if he has unoccupied time, may count and assort currency or take charge of the bank's supplies. He may make up and send out shipments; but the amounts shipped must originate with a Paying teller or a Shipments teller and not at the Vault; the debits must go through a teller's blotter. If one man must be both Vault teller and Paying teller, he should, nevertheless, keep the two sets of records entirely separate. The Vault record can be very simple. It should show:

Balance in Vault when vault was opened $.....
Coin and currency to tellers - - - $.....

Balance in Vault at 3 p.m. - - - - $.....
Coin and currency from tellers - - - $.....

Balance in Vault when vault is closed - $.....

The Vault teller, as such, has no dealings with the depositors. His dealings are exclusively with the tellers. The nearest he comes to dealing with outsiders is when he receives direct from the Clearing House or pays direct to the Clearing House, from the vault, the cash balance representing the day's exchanges. But even here his records show transactions with the tellers only. The "Clearing House teller's" records show that the local Clearing House teller received from or paid to the Clearing House an amount representing the difference in the daily exchanges and that this amount was either delivered to or obtained from the Vault. The Vault teller, while actually dealing with the Clearing House, has been, according to the records, dealing only with the local Clearing House teller.

CHAPTER V

THE CLEARING HOUSE TELLER

While speaking of the "Clearing House teller," it is well to give a moment's thought to his department. The work of the Clearing House department is, under the old system, among the most complicated of any in the bank. Its figures enter into the final make-up of the Receiving tellers and of the Paying tellers; differences almost any place in the bank are very likely to turn up in the Clearing House department or, what is worse, to be passed by it along to some other department.

To simplify and improve these conditions, it is necessary to recognize, first, the distinct functions which are actually being performed and, then, those which ought to be performed, by the department. One necessary function is that of "Clearing House teller."

Every check paid by the bank, every debit to a depositor's account, every deposit, must be entered in some teller's blotter before it is handled by the bookkeepers. In many banks, more checks reach the bookkeepers through the Clearing House department than from any other source. Tradition made it at one time seem necessary to have the totals of these checks entered in the Paying teller's blotter. This not only is unnecessary but it complicates the record. A separate blotter should be given to the Clearing House department; the head of this department is then the "Clearing House teller." On his blotter are listed in detail all checks paid through the clearing; there should be no relation at any time between his blotter and that of the Paying teller. Recognizing the "Clearing House teller" and giving to him an individual blotter, is a long step toward the simplification of the bank's records.

Out-Clearing Department

In addition to the in-coming clearing, the Clearing House department also lists all of the out-going clearing. Whenever the number of transactions warrants it, the Out-Clearing department can be entirely separate from the Clearing House teller and his department; the only relations the departments need have with each other will be once each day when the Out-Clearing department gives to the Clearing House teller, in envelopes ready for delivery, its entire holdings of out-going checks, together with a proved total. This total is entered by the Clearing House teller on the debit side of his blotter under the heading "Total C. H. Checks Cleared to-day"; the Clearing House teller exchanges these checks at the Clearing House.

City Cash Collections

It is a common practice for the tellers to charge to the Clearing House department, as clearing, all cash items payable in the bank's own city, even though some of the items are drawn on savings banks or for some other reason cannot be collected through the Clearing House. It complicates the work of the Clearing House department to charge to the department any items not payable through the Clearing House. Such items should be handled by the Collection teller and not through the Clearing House department. This change can be very readily brought about by adding to the General books an account entitled "City Cash Collections". The tellers will thereafter assort all checks handled by them into five divisions instead of four, i.e. Out-Clearing, Transit, Individual Checks, General Ledger Checks and City Cash Collections. After leaving the tellers, the Out-Clearing is assorted, listed and proved by the "Out-Clearing department", the Transit by the Transit department, Individual Checks by the bookkeepers through the medium of the "Interior Proving department", General Ledger Checks by the General bookkeeper and City Cash Collections by the Collection department.

A separate record is made by the Collection department of each item which has been charged to City Cash Collections, except that items from one teller on one firm may be

grouped and given one City Cash Collections number. By use of carbon, these records are made in duplicate on forms which, for convenience of the messengers, are about the size of an ordinary check. The carbon copy is pinned to the item and used by the messengers as a collection tag, saving them from recording in their collection books any information other than the number, amount and fate of each such item. This tag should be of a different color from the original, which is held by the Collection department in lieu of the item itself and on which is later recorded the final disposition of the item.

For any item held in City Cash Collections over twenty-four hours, the written authorization of the auditor should be obtained on the original record. The "O.K." should be dated and should be renewed each day until the item is finally paid. This audit is important, takes up very few minutes each day and is entirely practicable under this system. When the items are carried in the Clearing House records or in the Paying tellers' cash, an effective check on them is almost impossible.

Reclamations

It is very desirable, from an Auditing viewpoint, that the Clearing House teller's blotter show a total of checks paid through the clearing identical with the total amount of checks received from the Clearing House. It would seem, upon first thought, that, unless some error has been made in the listing of the checks, these two amounts must be equal. Of all the checks presented for payment through the clearing, however, there are each day a few which must be rejected. These are sent out for reclamation and reduce the total of checks paid to an amount smaller than the total of checks received from the Clearing House. In those banks in which the in-coming clearing figures are carried into the Paying teller's make-up, the totals of checks actually charged against depositors' accounts and against General Ledger accounts are frequently the amounts recorded, the total which has been charged at the Clearing House against the local bank not appearing anywhere in the tellers' blotters or in the General books.

To improve upon and simplify this condition, it has been found very practicable to debit all reclamations to City Cash Collections. There should be included in this debit, in addition to reclamations, the total of all checks paid through the clearing for other local banks. A separate charge is made to Transit Account for checks on out-of-town banks paid through the clearing. The total debits to City Cash Collections and to Transit Account and the totals of checks paid against depositors' accounts and against General Ledger accounts are all entered on the credit side of the Clearing House teller's blotter and should together equal the amount of checks received from the Clearing House. Any difference between the two totals will then indicate an error in the listing either by one or more of the banks with which the checks originated or by the bank to which the checks are cleared.

The reclamations are listed by the Clearing House teller on a form consisting of three columns. The first is headed "Debit City Cash Collections" and is followed by the sub-headings "C.H.No.", "Reason rejected", "Drawer", "Amount" and "✓". In this column are listed all reclamations which it is expected will be paid.

In the second column are listed checks sent out for endorsement and which it is expected will be returned in proper form for payment. The sub-headings are "C.H.No.", "Amount" and "✓". Whenever the bank to which one of these items is presented pays for the item instead of correcting the endorsement, the amount and the description are then eliminated from the second and transferred to the first column. When properly corrected by the endorsing banks, the remainder of the checks from the middle column are delivered by the messengers to the Clearing House teller, who enters a check-mark opposite the record of each such corrected item and returns the item to the bookkeepers for final payment.

The heading of the third column, "Credit City Cash Collections", is followed by the sub-headings: "C.H.No.", "Checks received in payment" and "Coin received in payment". The messengers report to the Clearing House teller when all reclamations have been redeemed but deliver to the Collection department the funds received in payment. These

amounts are recorded by the Collection department in this third column, the total of which must equal the total on the debit side of the form. When this work is completed and the two sides of the form are in balance, the items are deposited through the Collection teller's blotter, to the credit of the City Cash Collections.

Errors Between Clearing Banks

One of the details which must be cared for by the Clearing House teller is the adjusting of errors made by other banks in their lists of checks presented to his bank through the clearing. It is possible, if not altogether practicable, for a bank to make internal arrangements such that all errors in the outgoing clearing will be located and corrected before the checks leave the bank but no such arrangement can be forced upon other banks to prevent them from sending in unproved lists. In exchanging checks at the Clearing House, the totals called for by the outgoing lists of the various banks are, for the moment, accepted as correct and are accepted at the Clearing House as a permanent record of the amounts exchanged. The balance in coin or currency to be paid or received as a result of the day's exchanges is determined through the use of these figures. To adjust any error, the bank discovering the error makes direct claim upon, or payment to, the bank by which the error has been made.

In-Clearing Adjustments

It is a common occurrence for the Out-Clearing department of another bank to have listed a check as say "22.36" when the amount should be "27.36". The Clearing House teller lists the correct amount on his blotter as a portion of his "total checks paid". This makes "total checks paid" $5 in excess of the figures at the Clearing House, which figures show the amount he was supposed to have received. One way for him to adjust this error on the part of the other bank is for the Clearing House teller to obtain $5 from the Vault teller, list it on the debit side of his blotter as "Coin and Currency from Vault" and pay the amount to the bank which made the error. But this method of

adjustment is not satisfactory; it is better that the Clearing House teller should have no coin to handle. He should issue a Cashier's Check and then show, on the debit side of his blotter, a deposit to the credit of Cashier's Checks. In addition to being more convenient, the use of Cashier's Checks by the Clearing House teller and by the Clearing House department provides a valuable record which is not obtainable through the use of coin.

A difference in the opposite direction would cause "total checks paid" to be less than the "checks received" figures at the Clearing House. Another bank has listed a check as say "48"; the amount should be "40". The Clearing House teller records the check on his blotter sheet for the correct amount. "Total checks paid" is $8 short. A claim is made on the other bank and in payment a Cashier's Check, coin or currency, for $8 is received. If a Cashier's Check, the amount is listed on the credit side of his blotter as a debit to P. M. Clearing. If coin is received, it is handed to the Vault teller at the end of the day and listed on the Clearing House teller's blotter as "Coin and Currency to Vault."

If preferred, these corrections can be made through City Cash Collections, $5 being deducted from and $8 added to the reclamation sheet, in which case the Collection department will issue the $5 Cashier's Check and accept the $8 payment. This method will have the advantage of causing "total checks paid" as shown by the Clearing House teller's blotter to always agree with "total checks received" from the Clearing House. The disadvantage will be that occasionally the amount to be deducted from the reclamation sheet will be larger than the total of reclamations. This will make the debit to "City Cash Collections: Reclamations" a minus quantity, an awkward condition which most bank clerks wish to avoid.

When one check received from another bank is for an error in the incoming clearing and for reclamations, a portion of the funds represented by the check belongs to the Clearing House teller and a portion to the Collection teller. The Clearing House teller may list this check on his blotter as a debit to P. M. Clearing and issue a Cashier's check to the order of the Collection teller for the excess amount.

Out-Clearing Adjustments

It is well to glance at these same differences and corrections from the viewpoint of the Out-Clearing department of the bank which made the errors.

The $27.36 check which they had listed as $22.36 caused their out-going total to be $5 short. This incorrect total had become a matter of record at the Clearing House and the balances in settlement for the day's exchange had been based on it. The Out-Clearing figures, therefore, could not be altered. The only way of bringing them into balance with the tellers' totals was to adjust the tellers' totals. The Cashier's Check or the coin received in adjustment of the difference was accordingly given to some teller, who subtracted the amount from the total debit to "A. M. Clearing" on the credit side of his blotter and added it, on the same side, to "P. M. Clearing" or to "Coin and Currency to Vault."

The $8 over caused by listing a $40 check as $48 was adjusted by the issuance of a Cashier's Check, for which a teller made an entry on his blotter, crediting $8 to Cashier's Checks and debiting the amount to "A. M. Clearing."

The Clearing House department, in making each adjustment, should write opposite the incorrectly listed amount on the original record words to this effect: "Should be $27.36; $5 Cashier's Check received to adjust; Endorser Jones Co."

Altering the tellers' figures to agree with the outgoing records is not desirable. It is a practice which should be prohibited as far as possible and always most carefully restricted. The simplest and best restriction is a ruling that all such changes in the tellers' figures be always made through the same teller's blotter. The auditor then has a definite place in which to look for such changes. The Clearing House teller's blotter is a convenient one to select for this purpose; only a few out-clearing checks originate each day through this blotter and therefore transactions of this nature can here be readily checked. There is the added advantage that all corrections for all clearing differences are assembled in one place.

Clearing House Teller's Blotter

All incoming Clearing House checks are listed with the adding machine on sheets of paper the width of the machine in the order in which received from the various Clearing House banks. The sheets are numbered consecutively, commencing each day with number "1". This record constitutes the Clearing House teller's blotter. A list of the totals from the various banks is made on the upper part of the final sheet, "Total Checks Paid" being obtained in this manner.

A statement of the Clearing House teller's transactions for the day is made on the lower part of the final sheet. The combined total of reclamations and of checks paid for local banks is listed in this statement by the Clearing House teller as a debit to City Cash Collections; the totals of General Ledger Checks and of Transit Account checks are listed by the Interior Proving department. These three amounts are added together to obtain a General Ledger total and subtracted from the Total Checks Paid to obtain the total of Individual Checks. The statement, when completed reads about as follows:

Recapitulation of Clearing House Teller's Blotter

Dr.		Cr.	
Credit Accounts as Follows:		**Debit Accounts as Follows:**	
Cashier's Checks - -	$ 5*[1]	General Ledger Checks	$ 90,000
		Transit Account - -	9,000
		City Cash Collections -	1,000
Total General Ledger	$ 5	Total General Ledger -	$100,000
		Individual Checks - -	699,997
Total Deposits - -	$ 5	Total checks paid:	
		Total at C.H. $800,000	
		Plus a /c error 5*[1]	
		Minus " " 8*[1]	$799,997
Total C.H. Checks Cleared today	750,000	Deduct from A.M. Clearing { 10*[2] (red) 15*[2] (red)	—25
		P.M. Clearing { 8*[1] 10*[2]	18
Coin and Currency from Vault	50,000	Coin and Currency to Vault 15*[2]	15
	$800,005		$800,005

*[1]*The $8 switch between Total Checks Paid and P. M. Clearing and the $5 credit to Cashier's Checks and debit to Total Checks Paid represent the two in-clearing adjustments which have been described*

*[2]*The $10 switch between A. M. Clearing and P. M. Clearing and the $15 switch between A. M. Clearing and Coin and Currency to Vault represent two possible corrections of errors in Out-going Clearing.*

CHAPTER VI

TELLERS' BLOTTERS: MODERN METHODS

Tellers' Recapitulations

A printed form on which to record the totals should be on the lower right-hand corner of the final page of every teller's blotter. This form should be printed alike on all the blotters and should contain every heading which will apply to any teller. All the headings will not apply to any one teller. Among other things, a shortage or an over in the teller's cash should be provided for; each teller's debit totals will then always equal his credit totals.

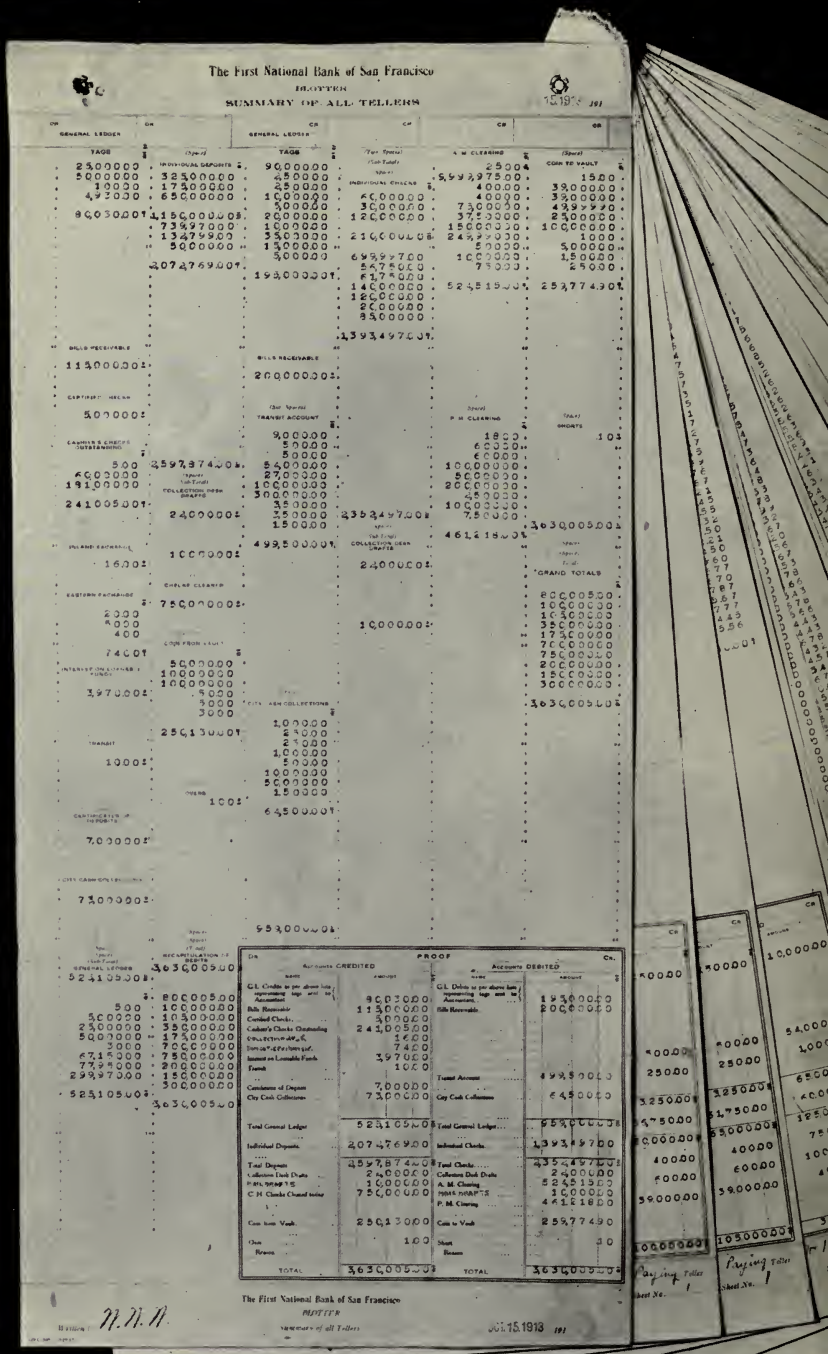
Form of Blotter

The general form of the blotter and the size, shape and texture of the blotter sheets are all very important. These sheets should be of equal length and width for all the tellers. The paper should be bond of about 16 pound folio and should be 10¼ inches wide, so as to fit readily into a Burroughs Duplex adding machine. A convenient length is 21 inches, which makes possible the listing of one hundred checks in each column and allows ample room at the top of every sheet for binding and at the bottom for the name of the teller, the date, the sheet number and the name of the clerk who did the listing.

Each teller uses as many sheets as the number of items in his day's work makes necessary, numbering them throughout the day in consecutive order. The recapitulation form is printed only on his final sheet and this sheet should be an inch longer than the others. The sheets are clamped together at the end of the day with the final sheet on top and sheet No. "1" on the bottom.

Summary of All Tellers' Blotters

A Summary is each day made of all the tellers' blotters. The various blotters are then gathered into one volume and stapled together with the Summary on top.


The First National Bank of San Francisco

BLOTTER

SUMMARY OF ALL TELLERS

PROOF

Dr. Accounts CREDITED		Cr. Accounts DEBITED	
G.L. Credits as per above (not representing tags sent to Accountant)	90,030,000	G.L. Debits as per above (not representing tags sent to Accountant)	195,300,000
Bills Receivable	113,000,001	Bills Receivable	200,000,001
Certified Checks	5,000,000		
Cashier's Checks Outstanding	241,005,001		
COLLECTION AGENTS	1,400,000		
Items in Exchange	74,001		
Interest on Loanable Funds	397,001		
Transit	100,000	Transit Account	499,500,001
Condensate of Deposit	7,000,000		
City Cash Collections	73,000,001	City Cash Collections	64,500,001
Total General Ledger	523,105,003	Total General Ledger	959,000,003
Individual Deposits	207,476,900	Individual Checks	1,393,497,001
Total Deposits	457,874,200	Total Checks	435,497,001
Collection Desk Drafts	24,000,000	Collection Desk Drafts	24,000,000
P.M. SHORTS	1,000,000	A. M. Clearing	524,815,003
C.H. Checks Cleared today	75,000,000	MMS SHORTS	1,000,000
		P. M. Clearing	461,218,003
Cash from Vault	25,013,000	Cash to Vault	25,977,490
Over	100	Short	30
Reason		Reason	
TOTAL	3,630,005,003	TOTAL	3,630,005,003

The First National Bank of San Francisco

BLOTTER

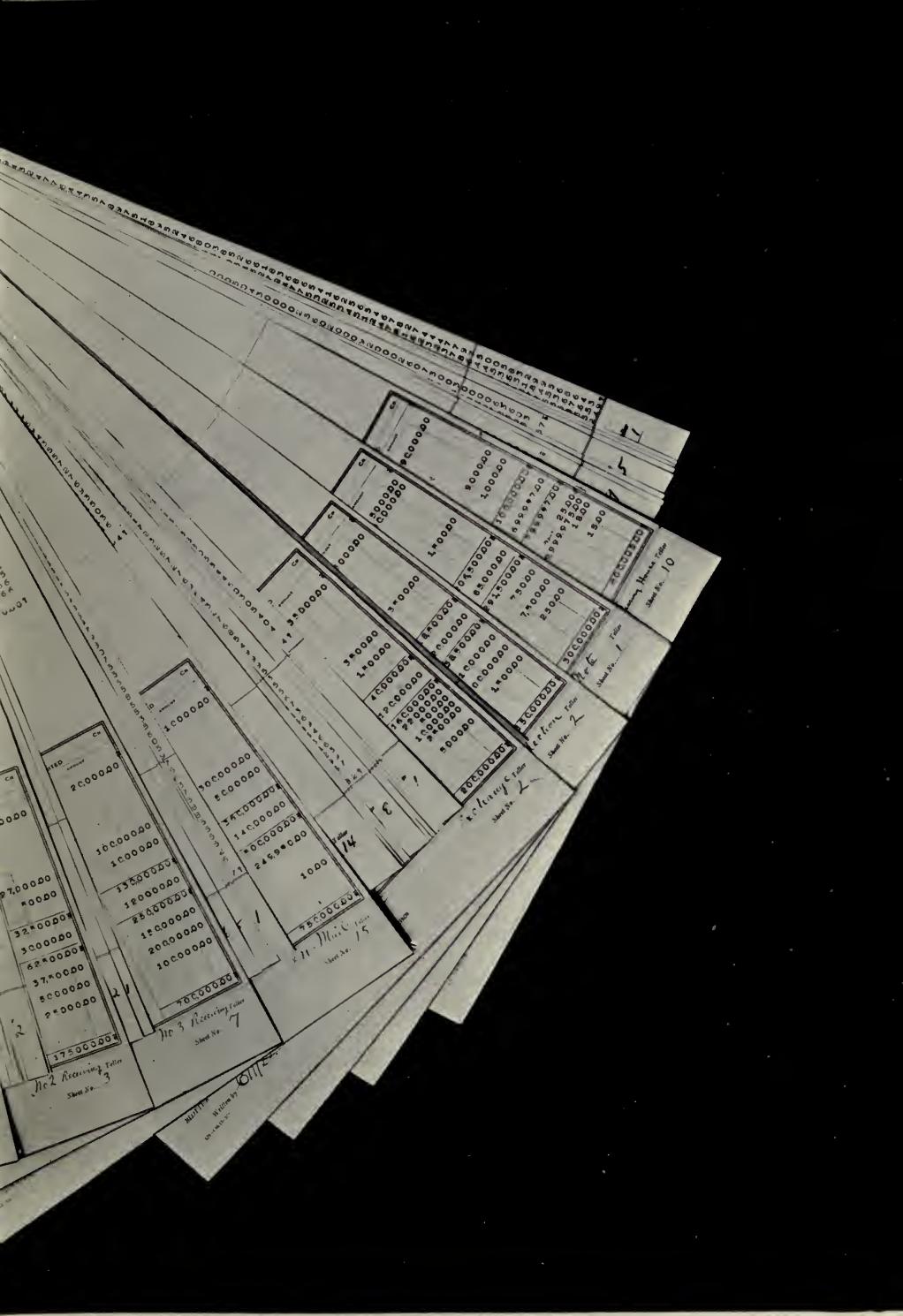
Summary of all Tellers

Oct. 15. 1913

Paying Teller

Sheet No. 1

TELLERS' BLOTTERS



THE TELLERS' BLOTTERS ARE LOOSE-LEAF IN FORM. THE TELLERS LIST ALL THEIR ITEMS IN DETAIL ON LARGE SHEETS BY USE OF THE ADDING MACHINE. THE TOTALS ARE ASSEMBLED AND THE SHEETS FASTENED TOGETHER EACH DAY IN ONE VOLUME, WITH THE GRAND TOTALS ON THE TOP SHEET.

CHAPTER VII

THE PAYING TELLERS

Paying Tellers' Duties

The Clearing House figures are no longer recorded through the Paying teller's blotter. The Vault teller has taken from him the "custody of the cash" and, with it, the assembling of each day's coin and currency. "City Cash Collections" has relieved him from holding and collecting "cash items". The bookkeepers pay all checks (other than those presented over the Paying counter) for amounts, endorsements, dates and stop-payments. The work of keeping the signature files and stop-payment records in an up-to-date condition and of paying all checks from all tellers for signature, can, if desired, be transferred to a "Signature department."

There still remains with the Paying teller his fundamental work of paying checks over the counter and of recording such payments in a blotter. Whenever possible, each teller should have a window by himself, separate coin and currency and a separate blotter.

Their Coin from Vault

The Vault teller each morning gives to the first Paying teller any broken trays of coin which may be in the Vault, a change tray and as many full trays of each denomination as are likely to be required for the day's payments. To each of the other Paying tellers will be given a change tray and one or more full trays of each denomination.

Currency for Paying

The Paying teller must know, from his own count, that the amount of currency in each package he opens agrees with the amount called for by the wrapper. As he seldom has time to count the bills at the time the wrapper is broken, he must have done this checking previously. He cannot count

all his currency every day and therefore should be given uninterrupted possession of a working supply, subject, of course, to frequent audits. The only packages necessary for him to check each morning will then be those which he has newly acquired from the Vault teller.

The Vault teller gives to the Paying teller in the morning, as part of his "Coin and Currency from Vault", a supply of currency too large for one day's probable requirements. The Paying teller thoroughly checks the count. A portion of this currency remains in his hands at the end of the day and must be returned to the Vault teller as part of his "Coin and Currency to Vault". This is the currency of which he should have uninterrupted possession. If he will place it in a box and seal the box, with the total written on the outside in ink, there is no reason why this box should not be included in his "Coin and Currency to Vault" and the total accepted by the Vault teller as representing the amount of currency indicated. The total will, of course, vary from day to day. Such details as: "Total notes of other National Banks", "Total Legal Tender" et cetera can also, if desired, be shown on the outside of the box. The contents of the box need not be examined by the Vault teller but should be checked by the auditors frequently, at irregular intervals.

In the morning, the Vault teller will deliver to each Paying teller his individual currency box and will charge the amount to him as a portion of his "Coin and Currency from Vault". The teller has, to all intents and purposes, uninterrupted possession of his currency and, at the same time, all cash is at night delivered to and in the possession of the Vault teller.

The Paying teller counts his coin and currency each morning, as soon as received, compares the total with the Vault teller's record and, when satisfied that the count and the record agree, records the total on the debit side of his blotter as "Coin and Currency from Vault". This is the only entry on the debit side of the Paying teller's blotter with the possible exception of a credit for certified checks. If more coin or currency is obtained later in the day, the new amount is added to the original total.

Checks Paid

One or two blotter sheets of the standard size, as described above, will be sufficient for one day's records of one Paying teller. Detailed lists of the checks he has paid are made on these sheets. Checks on his own bank drawn by individuals, firms, corporations or banks, are listed as "Individual Checks". Any other checks are listed under the headings: "General Ledger", "City Cash Collections", "Transit Account", "A.M. Clearing" or "P.M. Clearing". Every teller assorts his checks into these divisions before listing them on his blotter. After the Paying teller or his assistant has listed a bunch of checks on his blotter, the checks are re-listed by another clerk and the total on the blotter initialed to show that it has been verified.

Coin and Currency to Vault

Every teller counts the coin and currency which he has on hand at the end of the day and delivers it to the Vault, listing the total on the credit side of his blotter as "Coin and Currency to Vault".

Paying Teller's Blotter

When he has balanced, the recapitulation of the Paying teller's blotter will read about as follows:

Recapitulation of Paying Teller's Blotter

Dr.			Cr.
Credit accounts as follows:		**Debit accounts as follows:**	
		General Ledger Checks -	$ 2,500
		Transit Account - - -	500
		City Cash Collections -	250
		Total General Ledger -	$ 3,250
		Individual Checks - -	56,750
		Total Checks Paid - -	$ 60,000
		A.M. Clearing - - -	400
		P.M. Clearing - - -	600
Coin and Currency from Vault	100,000	Coin and Currency to Vault	39,000
	$100,000		$100,000

Certified Checks

The work of certifying checks is, in most banks, assigned to the Paying teller. Some of the larger banks require a Certified Checks teller with several assistants.

When a check is presented for certification, the teller must ascertain that there is sufficient balance in the drawer's account to cover the amount of the check. He places the certification stamp upon the check and, filling in an office debit, charges the amount to the drawer's account. The debit must be listed on the credit side of the teller's blotter under the heading "Individual Checks", then in the Interior Proving department's records, on the bookkeeper's Daily Check Proof sheet and in the Individual Ledger. The facts must also be recorded in a Certified Checks Register and the daily total of this Register carried to the debit side of the blotter as a credit to Certified Checks.

These Certified Checks debits must be sent to the bookkeepers at frequent intervals and given precedence over other checks, so that they shall not cause overdrafts in depositors' accounts.* Duplicate debit forms, printed on red paper and containing the words:

DUMMY

Original debit must be substituted for this tag today

are sometimes found useful. They are filled in with carbon, in the same operation as the originals, and are sent direct from the tellers to the bookkeepers as soon as the checks are certified. The originals are held for record in the blotters. The bookkeeper immediately records the "dummy" in his ledger but enters only the original in his Daily Check Proof. He replaces the "dummy" with the original before giving the day's checks to his statement man.

Placing these entries through the Paying teller's blotter will alter his figures to read as follows:

**The National Banking Act and most State banking laws require that no check be certified unless there are sufficient funds in the depositor's account to cover the amount of the check and failure to comply with the law is made a criminal offense.*

Recapitulation of Paying Teller's Blotter

Dr.			Cr.	
Credit accounts as follows:			**Debit accounts as follows:**	
Certified Checks - -		$ 5,000	General Ledger Checks -	$ 2,500
			Transit Account - - -	500
			City Cash Collections -	250
Total General Ledger Credits		$ 5,000	Total General Ledger Debits	$ 3,250
			Individual Checks - - -	61,750
Total Deposits - -		$ 5,000	Total Checks Paid - -	$ 65,000
			A.M. Clearing - - - -	400
			P.M. Clearing - - - -	600
Coin and Currency from Vault		100,000	Coin and Currency to Vault	39,000
		$105,000		$105,000

CHAPTER VIII

THE RECEIVING TELLERS

Old Methods Mean Loss of Time

In many banks, the Receiving tellers are frequently obliged to spend many of their evenings looking for differences. One "check-off" a week is not at all unusual. Differences of less than one dollar are ignored because of their frequency and because larger differences leave no time to look for any so small. Every tag is thoroughly examined at the time it is received, to make sure that all the items have been correctly listed by the depositors. The Receiving tellers together form one department, their records are made in only one blotter. They do not attempt to list their own out-clearing checks but obtain the total of these checks by eliminating all of the other tellers' out-clearing figures from the Clearing House department's totals. The members of the Clearing House department always stay with the Receiving tellers to help find the differences.

Adding machines are a great help in the work of listing checks and deposits and adding the lists but, in many banks, the blotter system is practically the same as when all listing was done with pen and ink. The adding machine lists are sometimes fastened into the blotters where the ink lists were formerly made. In some banks, all the lists for each day are filed in an envelope and only the totals are posted to the blotters.

New Methods

The loose-leaf is a better system, using paper as wide as the adding machine carriage, making several lists on one sheet and filing the sheets in a binder. Any number of separate lists, independent of each other, with a separate total for each list together with a grand total of all the totals, can be made on the Burroughs Duplex adding machine. When these machines were introduced, it was only natural that blotter-sheets should be substituted for the old bound blotters and

that, instead of balancing their work only at the end of the day, the tellers should list deposits and checks a few at a time and prove their work frequently throughout the day. With this change, it is no longer necessary to check-off at the time of receipt every item on every deposit tag and the tellers have more time to see the vital facts regarding each deposit made. The Receiving tellers, through their assistants, now list their own out-clearing checks. Any error in the footing of the deposit tags or in the listing of the checks on the deposit tags or in the blotter work, is found at once. It is only necessary to test the footings of a portion of the deposit tags. Differences other than in the coin or in the currency are a thing of the past and night work is entirely eliminated.

Tellers Separate

Each Receiving teller should, if possible, be given an individual cage and an individual blotter and should keep his coin and currency separate from that of the other tellers. Each deposit should be recorded in the blotter of the teller receiving it, even though he may be an emergency teller and may receive only one or two deposits.

Name of Depositor

When a deposit is offered at the counter, the teller must see that the name at the head of the deposit tag is the name of one of the bank's depositors. Before entering the amount of the tag in the pass book, he must also compare this name with the name in the pass book to see that they agree.

Coin and Currency Deposited

The gold, the silver and the currency, listed separately, must each be carefully examined and counted and then checked to the tags. No portion of the gold should be transferred from the counter until all the gold has been counted and its total checked to the deposit tag. The same rule applies to the silver and to the currency.

Checks Deposited

The teller's work is balanced frequently throughout the day. It is, therefore, not necessary for him to carefully check

every entry on every tag. He knows from experience that certain depositors are careless in their listing, that others are inclined to be inaccurate in the footings. For the one he checks the listing; for the other he tests the footings; he checks both the listing and the footings of any tags which have been carelessly or poorly made out. The number of all these tags is small compared with the total number of deposits made. On the majority of deposit tags, neither the footings need be checked nor the listing of any items other than the coin and currency.

Transferring the checks from his counter, the teller places them face down on a desk at his side and, while so doing, glances at the back of the checks to see whether they have been endorsed by the depositor. It is not necessary for him to look for technical errors in the endorsements. Such errors can be corrected later, when they are discovered and the checks rejected by the bookkeepers in the banks on which the checks are drawn. Technical regularity of endorsements is important but its importance is not so great as to warrant a double examination of the checks. The bookkeeper must examine them; therefore the teller does not need to do so. There is an important point, however, in connection with the endorsement of checks deposited, regarding which the teller must each time satisfy himself before accepting any deposit. The fact that a certain check is payable to a corporation is direct evidence that the funds involved belong to the corporation. Such funds must not be diverted from the corporation without proper authorization from its directors. The teller must be on guard to see that no check payable to a corporation is deposited to the credit of any unauthorized account. While the teller cannot examine the endorsements of every check, he must learn which to examine and must, at a glance, discover any irregularities of this nature. He must see the important facts regarding each deposit.

When the coin and currency and the checks have been removed from the counter to the teller's desk, the total of the deposit tag is entered in the pass book, after which the tag is placed on the teller's desk, face down, one pile being made for deposit tags and one for checks.

Receiving Tellers' Assistants

Assistants should be assigned to the Receiving tellers for certain regular periods each day. The In-Mail, Transit and Messenger departments can be drawn on for this purpose. If given no help at all, the Receiving tellers might do their own work and complete it within two or three hours after the bank closes but this will delay the Out-Clearing, Transit, Messenger, Interior Proving and Bookkeeping departments. The daily routine should prevent the tellers from holding checks and deposits, at any time, longer than necessary. Every teller's blotter should be completed within half an hour or, at the outside, an hour after the bank closes. Late work from any one teller may mean the delaying of half the office force; if one teller holds up the work of even twelve men only five minutes, it means an hour's loss of time to the bank. Furthermore, this help enables the Receiving tellers to handle a larger number of deposits and relieves them of a class of work which can just as effectively be done by less experienced help. Incidentally, junior clerks are given an opportunity to qualify for the work of Receiving.

Deposits Held Out

The teller must always, at the moment a deposit is made, place on his pile of deposit tags either an original tag or some substitute. It is sometimes necessary for a teller to temporarily retain in his possession a deposit tag in order that the credit may be advised to the depositor's home-office or for some other reason. For use at such times a "dummy credit tag" should be provided, printed on red paper and reading as follows:—

Dummy Credit Tag

Original must be substituted for this tag today.

Name of account .....

Date.....191..

Amount of coin and currency - - - $.....

Amount of deposit - - - - - - $.....

.....

Teller.

The Write-Up

Frequently throughout the day, the deposit tags and the checks are removed from the teller's desk, to be assorted, listed on the blotter sheet, proved and sent to the various departments. Each set of items so removed is called a "write-up".

A "write-up" should not contain more than two hundred and fifty checks nor more than seventy five deposit tags. This is very important because with a larger number of items too much time must be spent locating differences.

The total of checks plus the coin and currency called for by the deposit tags must equal the total of the deposit tags. When he "breaks off" the "write-up", the teller's assistant must make sure that the check last placed in the one pile is the last item called for by the last deposit tag in the other pile. A deposit tag without the relative checks or a check without the relative deposit tag will cause the "write-up" to be out of balance.

Assorting

The checks for each "write-up" are assorted into the divisions: "General Ledger", "Transit Account", "City Cash Collections", "Individual Checks" and either "A.M. Clearing" or "P.M. Clearing". Each teller has a pad of labels, one of which is placed on the pile of deposit tags and one on each pile of checks. These labels are headed with the names of the different divisions; they state to which department the checks listed are to be delivered and show with which teller and on which sheet the checks originated. A rubber band is placed around the deposit tags and one around each bunch of checks, after which they are ready for listing.

Receiving Teller's Blotter

The blotter sheets are divided into six columns. The numerals "1" to "100", in small type, are printed in red ink between these columns in vertical succession, one-sixth of an inch apart to correspond with the adding machine spacing.

Using these numerals the messengers or the bell boys can readily obtain a count each day of the number of checks handled, information necessary to the intelligent operation

of the Analysis department. The numerals at the same time serve every purpose of ruled lines. The printing is in red ink, so as not to interfere with any ink or adding machine records which may be written over the printed matter on the sheet.

In addition to these vertical lines of numbers, a red line is ruled horizontally across the blotter sheets, 2¾ inches above the lower end of each column. This line rises above the carriage of the adding machine when there is room in the column for only two or three more checks and serves as a useful warning to the clerk listing the checks.

Printed headings in the various columns are useful: "Deposits" in the first column, "Coin and Currency" in the first portion and "City Cash Collections" in the lower portion of the second column, "General Ledger Checks" in the first portion and "Individual Checks" in the lower portion of the third column, "Transit Account" in the fourth column and "Clearing" in the fifth and sixth columns.

Listing

Deposits are listed and totaled in the first column of the blotter.

Both counters of the adding machine are then cleared, after which the coin and currency* and each of the various bunches of checks are listed in the remaining columns. A transfer total is printed at the end of each of these lists, with a grand total in the lower part of the first column. This grand total should equal the total of the deposit list.

If the amounts agree, the "write-up" is "in balance" and the checks and deposit tags are placed in a tray outside of the cage, ready for delivery by the bell-boys to the departments indicated on the labels. The one listing of these checks and deposits has been sufficient. It is not necessary for any one to re-write any of the items or to call them back to the lists. The lists are correct, and require no further proof.

If the amounts do not agree and the total of the coin and currency plus the checks is not equal to the total of

**The amounts of coin and currency are listed from the deposit tags.*

the deposit list, it is necessary for the difference between the totals to be located and the error corrected before the checks and deposit tags are sent out. The items on the various blotter lists are in the same order as on the deposit tags and a complete "check-off" from the tags to the lists should not take more than fifteen minutes. If it becomes necessary also to test the footings of the tags, more time may be required. For a majority of the "write-ups", there should be no differences. On very busy days or when the number of differences is larger than usual, there should be some one available to assist in the work of locating differences and possibly in that of assorting the checks so that the regular assistant may be able to spend his entire time at the adding machine.

Missorts

The fact that a bunch of checks is received by the Transit department bearing a label which states that the items have been charged to Transit Account on the blotter of Receiving teller No. 2, on sheet No. 5, may be accepted by any department as sufficient evidence that the checks have been so charged. Immediately upon receipt, the Transit department assorts and endorses the checks preliminary to writing the out-going cash letters. In assorting the checks, they find one for say $15.25 which should have been charged by the teller to P. M. Clearing. To this check they pin the label which was received with it and on the label they write "off Transit".

Experience has shown that it is worth while for each department to keep a temporary record of any mis-sorted checks which it may return to the tellers for switching, because differences are sometimes caused through an error in the teller's blotter, such a check being deducted from or added to the wrong total. To make easy the locating of such errors, all changes on the blotters should be made with pen and ink and not by use of the adding machine.

The $15.25 check, together with the label marked "off Transit", is returned to Receiving teller No. 2. His assistant has made another write-up since the items listed on Sheet No. 5 were sent out and has carried forward the totals from the previous sheet. He is now listing checks on Sheet No. 7. Because the totals have been carried forward, he must

finish listing and totaling the items on this sheet before making the switch.

Sundry loose papers should not be allowed to gather at the teller's desk. There is greater probability of accuracy if switches are made one at a time than when there are several checks to be switched at the same time in different directions. The various departments should not be obliged to wait for additional checks after the last write-up of the day has been sent out. For these reasons, no matters how far behind time the work may be, all switches then in hand should be made each time before a new write-up is started.

The teller or his assistant will locate the amount $15.25 in the Transit Account list on Sheet 5 and through it draw a line followed by one of the words "out" or "off". He will then subtract $15.25 from the latest total, the one on Sheet 7, writing after the amount subtracted the same word. He will then list the amount with pen and ink after the Clearing total on Sheet 7, draw a footing line and under it write the new total. The item is then given a new label and sent to the Clearing House department.

This procedure is followed with all missorted checks.

Large Deposits

In the larger banks, there are a few depositors who deposit a large number of Clearing House checks every morning just before closing time for the clearing. One listing of these checks can be saved. These depositors should be induced to enter such checks on deposit tags separate from the ones on which their other items are entered. Failing this, they may be willing to make up each deposit with the Clearing entered first and its total carried forward or they can be given deposit tags with two columns, one for clearing and one for other checks.

Instead of first listing this clearing on the tellers' blotters as is done with other clearing, it can be assorted direct to the banks on which the checks are drawn and listed on sheets in triplicate, with carbon, this listing to be done either by a Receiving teller's assistant or by a member of the Out-Clearing department. The sheets should be of the

same size as the tellers' blotter sheets. The original must be filed by the teller as a portion of his blotter, the duplicate is filed by the Out-Clearing department as a portion of their record and the triplicate is torn into strips and sent with the checks to the various banks.

The Receiving teller's assistant, in listing the various items to prove the write-up containing these deposits, will carry into his proof the total of this special out-clearing sheet or, if preferred, can list as "A.M. Clearing" the clearing sub-totals shown on the deposit tags, comparing the amount so obtained with the total of the special out-clearing sheet.

Still further time can be saved if the depositors whose checks are to be handled in this manner are provided with combination endorsement stamps by which they place the bank's Clearing House endorsement on their checks at the same time that they make their own endorsement.

Coin and Currency to Vault

Each teller records in the recapitulation of his blotter after the heading "Coin and Currency to Vault" the exact total of coin and currency sent to Vault. The Receiving teller's blotter shows that he received during the day $350,000, of which $300,000 was in checks and $50,000 in coin and currency. His count of the latter shows only $49,999.90. The recapitulation of his blotter reads as follows:

Recapitulation of Receiving Teller's Blotter

Dr.		Cr.	
Credit Accounts as Follows:		**Debit Accounts as Follows:**	
General Ledger Deposits	$ 25,000.00	General Ledger Checks	$ 10,000.00
		City Cash Collections	1,000.00
		Transit Account - -	54,000.00
Total General Ledger Deposits	$ 25,000.00	Total General Ledger Debits	$ 65,000.00
Individual Deposits -	325,000.00	Individual Checks -	60,000.00
Total Deposits -	$350,000.00	Total Checks Paid -	$125,000.00
		A. M. Clearing - -	75,000.00
		P. M. Clearing - -	100,000.00
		Coin and Currency to Vault	49,999.90
		Short Cash - - -	.10
	$350,000.00		$350,000.00

CHAPTER IX

ADDING MACHINE RULES

At this point, the following set of adding machine rules may be of interest:

On all records the following rules must be observed:

A star (*) must be printed at the beginning of each and every list.

The handle of the adding machine must never be moved while the carriage of the machine is thrown back. Every stroke of the machine must be given opportunity to show on the record, whether the operation is one of clearing the machine, of spacing, of subtracting an incorrect amount, of subtotaling or for any other purpose.

Each item listed must represent one individual amount.

When an incorrect amount has been listed and the error is immediately discovered, the simplest method of correction is to list and add with the machine the complement of the incorrect amount and then proceed by adding the correct amount as if no previous entries had been made.

All other changes must be made with pen and ink.

In altering an amount, a line must be drawn through the original figures and the new figures placed to the left of the column.

Each blotter sheet must bear the signature of the party writing out the lists.

CHAPTER X

THE IN-MAIL TELLERS

Transfers of Funds

The largest part of every bank's profits comes from the interest received for loans but the largest part of the labor performed is in the transfer of credits from one party to another and from one city to another.

A merchant, in making payment for goods shipped to him from another city, may re-imburse the shipper in one of several ways. He may return, in direct payment, other goods of equal value. He may make payment in coin or currency by express. He may give the funds to a bank or to some other third party, for remittance to the shipper. He may purchase a bank draft and send it to the shipper. He may send his own check on his local bank. He may pay a draft, issued by the shipper against him, for the amount due. Nearly all of these transactions call for some activity on the part of one or more banks. Instructing the bank to remit to the shipper, is a common practice in some foreign cities but one very little followed in the United States. The practice of purchasing a bank draft on some Reserve or Central Reserve point, to be forwarded to the shipper, is quite common.

Collecting the Draft or Check

Having received the bank draft or the merchant's check, the shipper may choose one of several methods by which to obtain the actual funds due him. The draft or check is not money; it is merely an order to pay money. He may bring this order to the Collection teller of his local bank, not obtaining payment until after the check has been forwarded to the drawee bank and charged to the drawer's account. He may

immediately obtain coin or currency for the check from the Paying teller of his local bank or he may deposit it to his credit through the Receiving teller. He may give the check to the Note teller of his local bank in payment for a loan. He may endorse the check to some other individual, who in turn will collect it by one of these methods.

Transit Department

Any teller other than the Collection teller handling an out-of-town check charges it to Transit Account.

These checks or "cash items" are listed by the Transit department on "cash letters", the carbon copies of which constitute an important portion of the Transit department's records. Some of the cash letters are sent "for credit" and the remainder "for collection and returns" or "for remittance", different forms being used for these different purposes.

In-Mail Teller

The cash letters, when received by the banks to which addressed, are handled by one of three departments: the Receiving, the Exchange or the In-Mail. In banks which have only a small mail, the cash letters "for credit" are usually handled by the Receiving teller and the cash letters "for remittance" by the Exchange teller. As the mail increases in volume, an In-Mail department becomes necessary, first, for the relief of the Receiving tellers and, later, to relieve the Exchange tellers.

The work of the In-Mail tellers is somewhat similar to that of the Receiving tellers, both accept checks for the credit of depositors; there are, however, some important variations.

Incoming Letters

The Receiving teller must check the listing of certain items on the deposit tags; so, also, the In-Mail teller must check the listing of certain items on the incoming cash letters. On cash letters, special instructions for the handling of the items must, also, be noted.

No In-Mail Coin

In order that differences in the cash shall be localized and an individual rather than a department made responsible for each difference, each Receiving teller balances by himself, independent of all other tellers. The In-Mail tellers handle no coin or currency, except possibly an occasional torn or mutilated bill enclosed with a cash letter for redemption. There is therefore no reason for the In-Mail tellers to have any unlocated differences and no need for them to make up more than one blotter.

In-Mail City Cash Collections

The Receiving tellers have occasion to accept on deposit very few drafts on firms in their own city. The In-Mail tellers receive a great many, in addition to checks on saving banks and to coupons, all of which must be collected and accounted for on the day deposited.

In some banks, the In-Mail teller lists on his blotter as a final record—not the original items but the checks or coin received in payment for them. To simplify the records, the drafts themselves should be listed on the blotters and not the funds received in payment. The lists should be headed "City Cash Collections", followed by the sub-heading "Drafts". No further record of the items need be made by the In-Mail teller.

Other sub-divisions of City Cash Collections, such as "Drafts on ..... Railway Company" and "Coupons", may be useful.

Messengers' Records

Each messenger must have for temporary use a memorandum or collection book of some sort in which to record the various items which he takes out for collection.

The messengers record in their collection books the number and amount of each collection obtained from the Collection department, together with the name of the drawee. The fate of each item is recorded in the collection book as soon as presentation has been made. When a check is received in payment for a collection, the collection number is written by the messenger in pencil in the corner of the check and a memorandum that a check was received is made in his collection book. When a no-

tice that the bank holds the draft for collection is left with the drawee or when payment is refused, the facts are written by the messenger on the back of the draft and in his book.

Drafts from the In-Mail teller are not numbered. Until they reach the messengers, no record of them, other than the listing of the amounts in the In-Mail blotter, has been made. The messengers record them—not in their collection books but on specially provided forms in duplicate, with carbon, thereby making, in one operation, a permanent record of the items for use of the Collection department and a temporary memorandum for their own use.

The printed headings and the ruling on the left-hand side of both the original and the duplicate forms should be identical. They should show the amount of each draft, the firm or the individual drawn on and the total for each drawee. The duplicates, to be taken by the messengers on their routes, vary on the right-hand side from the originals. They should be on paper of a different color from that of the originals and should be ruled on the right-hand side into columns headed: "Coin received in payment", "Check on No..... for $..... received in payment", "Notice left" and "Memoranda". The originals, to be used by the Collection department in lieu of a collection register and also as deposit tags to the credit of City Cash Collections, should be ruled on the right-hand side into columns headed: "Credit City Cash Collections", "Not yet paid; transfer to City Cash Collections numbered record" and "Memoranda". The "Credit City Cash Collections" column should be subdivided to show "Coin received in payment", "Check on No..... for $..... received in payment" and "Unpaid; charged back to depositor".

In the morning before giving the original to the Collection department, the messengers should total each sheet and make a grand total. This grand total should equal the total of "Drafts" as shown by the In-Mail blotter. In the afternoon after all the returns have been entered on the originals by the Collection department, this latter department should make a grand total of the totals credited to City Cash Collections together with the amounts of the numbered records which have been transferred from the sheets; this grand total must equal the total of "Drafts" on the In-Mail blotter.

Credit Advices

The Receiving tellers enter all deposits in pass books or, in the absence of the pass books, issue duplicate deposit tags. Pass books are seldom presented with deposits through the mail. The In-Mail teller must therefore send credit advices to the depositors. These credit advices should show for each incoming letter, the depositor's date, the date of credit and the amount credited, together with the depositor's collection number. All cash items on the bank's own city are, for bookkeeping convenience, credited to in-mail depositors immediately upon receipt. If not paid on the same day, they are debited to the depositors' accounts and either returned unpaid or entered for collection. Details of these charged-back items must be reported on the credit advices so as to show the net amount credited. The advices can be addressed with pen and ink at the time issued or by addressograph beforehand.

Instead of writing credit advices, some banks mark the incoming cash letters with the word "paid" and the date and return them to the depositors. These letters are a valuable portion of the bank's records, however, and should be retained by the bank.

Deposit Lists

Deposit tags from the Receiving tellers are uniform in size and, as they are seldom again referred to, it is practicable for the bookkeepers to use them in entering the amounts into the various ledger accounts. Deposit tags are always entered directly into the ledgers.

Cash letters received as deposits by the In-Mail tellers are of all sizes and shapes. They are frequently referred to in the writing of credit advices and for instructions as to drafts and checks upon which payment has been refused. It would seem better not to send these letters direct to the bookkeepers to be used as deposit tags. They should be placed in the general files with other incoming letters.

The dates, depositors' numbers and totals of the letters can be entered on forms which have three columns, in the first of which columns are written the depositors' names, in the second, after each name, the depositor's date and, in the last, the amount. The names of the bank depositors can be printed on these deposit

lists. The dates, numbers and amounts can be listed by use of the adding machine. The grand total of the amounts so listed in one day must, of course, equal the total deposits for the day as shown on the In-Mail blotter.

To verify all of the work, the names and amounts of the credit advices are called to the ledgers after the bookkeepers have entered the deposits in them from the deposit lists.

These deposit lists are very convenient for reference. They make it possible to file incoming cash letters alphabetically in the general files. They correctly place upon the In-Mail department the responsibility of furnishing the bookkeepers a proved set of deposits. When deposit lists are used, the bookkeepers cannot be thrown out of balance through cash letters being misplaced in the process of assorting, advising credits, looking up instructions et cetera. The deposit lists save the bookkeepers the work of listing on their Daily Deposit Proofs the individual amounts, the totals of the deposit lists being used instead.

Use of Carbon

The credit advices and the deposit lists can, by use of carbon, be filled in with one operation. Several credit advice slips should be printed in one sheet, separated from each other by perforations.* The printing on the advice slips and on the deposit lists should be so adjusted by the printer that the facts written on the advice slips will be automatically registered in their proper place on the deposit lists when the forms are placed with carbon in the adding machine.

Cash Letters from Exchange Banks and "for Remittance"

Cash letters from all other banks can be handled in much the same manner as cash letters from depositing banks. For cash letters from Exchange banks, there must be additional columns on the deposit lists in which to record the amount of Domestic Exchange and of Transit Exchange deducted from each letter and the net credit to each bank. For cash letters received "for remittance", the heading "Deposit List" should be altered to read "Remittance List" and the

**A convenient size for the sheet is 10 1/4"x21" and for the advice slips 5 1/8"x3".*

heading of the last column changed from "Net Amount Credited" to "Net Amount Remitted". Either separate remittance lists or separate sections on the same list should be used or an additional column provided, to indicate on which banks drafts are to be drawn. The advice forms for these cash letters are printed to read: "We enclose herewith our draft ....." instead of "We have today credited your account .....". The teller must deduct from the total of "Individual Deposits" on his blotter, the totals of "Domestic Exchange" and of "Transit Exchange" called for by these lists and must carry these totals on his blotter as separate items. If it be desired, the net total of the "Remittance List" may also be deducted from "Individual Deposits" and treated as a separate credit entitled "In-Mail Drafts", to be offset on the General books by a debit for a like amount on the Exchange teller's blotter.

The deposit lists are sent to the bookkeepers and the remittance lists to the Exchange teller. The bookkeepers enter the amounts from the deposit lists in their ledgers. The Exchange teller uses the remittance lists as applications for exchange; from them, he issues drafts in payment for the cash letters.

In-Mail Teller's Blotter

With several clerks at the same time listing items on the blotter sheets for In-Mail "write-ups", it is impracticable to carry the totals forward from one "write-up" to another. A new blotter sheet must be used upon which to assemble the various totals.

In the In-Mail teller's blotter, one of the advantages of a loose-leaf blotter system is especially apparent. A small mail or a large mail can be handled without waste of space and without crowding. A new summing up of the blotter sheets can be made after each incoming mail. With late mails that are so small as to require only one write-up each, the totals from the last previous blotter sheet can be carried directly forward in making each write-up.

The final totals on the In-Mail teller's blotter appear about as follows:

Recapitulation of In-Mail Tellers' Blotter

Dr.		Cr.	
Credit accounts as follows:		**Debit accounts as follows:**	
Domestic Exchange	$ 20	General Ledger Checks	$ 10,000
Transit Exchange	10	Transit Account	300,000
		City Cash Collections	50,000
Total General Ledger	$ 30	Total General Ledger	$360,000
Individual Deposits	739,970	Individual Checks	140,000
Total Deposits	$740,000	Total Checks paid	$500,000
In-Mail Drafts	10,000	A.M. Clearing	249,990
		Coin and Currency to Vault	10
	$750,000		$750,000

CHAPTER XI

EXCHANGE

Transfers Through In-Mail and Transit Departments

Cash letters do not merely come from the Post Office to be mechanically recorded on meaningless forms opposite lists of impersonal names. Each letter is part of the process of transferring funds from city to city. Each check represents a previous transfer of values. Some checks disclose the facts more readily than others. A check for $1000 drawn by Burke Automobile Repair Company on the Merchants National Bank of Los Angeles, payable to Jones Brothers and endorsed by them and by The First National Bank of Chicago, would seem to indicate a shipment of automobile supplies from Chicago to Los Angeles.

To collect the check, The First National Bank of Chicago will possibly send it to The First National Bank of San Francisco, for credit. It will be handled in The First National Bank of Chicago by the Receiving teller, a "striker" and the Transit department and in The First National Bank of San Francisco by the In-Mail teller and the Transit department. From San Francisco, it will perhaps be sent to The First National Bank of Los Angeles, where it will be handled by their In-Mail teller and Out-Clearing department; from this bank, it will be delivered through the Clearing House to the Clearing House teller of the bank on which drawn, to be by him sent via the Paying teller and the Interior Proving department to the bookkeepers, to be entered in the ledger as a charge against the account of the Burke Automobile Repair Company. The effect of the entire transaction is, in a general way, the same as though the Burke Automobile Repair Company had given $1000 in coin or currency to the Merchants National Bank of

Los Angeles in payment for their draft on the National City Bank of Chicago, to be cashed in Chicago by Jones Brothers.

Whether the transfer from Burke to Jones is made by bank draft or by local check, the Los Angeles bank must, sooner or later, send $1000 in some form to Chicago or to San Francisco with which to make the payment; if to San Francisco, then the San Francisco bank must forward $1000 to Chicago.

Exchange

At the time this transfer is being made, another Los Angeles firm receives two Chicago checks, totaling $1000, in payment for shipments of fruit to Chicago. These checks, deposited in The First National Bank of Los Angeles, are forwarded by them to San Francisco or to Chicago, for credit, and, without the use of coin or currency, entirely liquidate the debt created by the Burke Automobile Repair Company's check.

The total of the outgoing cash letter to any bank is seldom the same amount as the total of the incoming cash letter for the day from the same bank. The difference in amounts causes a like difference in the balance of the current account carried between the two banks. The size of this balance is also influenced by other transactions such as telegraphic transfers, collections, transfers ordered between correspondent banks, drafts issued, etc. Balances cannot be allowed to increase indefinitely or to decrease indefinitely and occasional shipments of coin or currency must be made in adjustment. The majority of exchange transactions through the banks represent a previous exchange of commodities between merchants. Final settlement is made in coin or currency.

Exchange Costs

In cities containing more than one bank, each bank is not always obliged to ship coin or currency in order to obtain exchange. All do not have the same transactions. One may have credit balances in Exchange banks larger than are at the moment needed. For a slight premium this bank may issue drafts against this excess exchange, payable to other banks. The rate of premium is regulated by the law of supply and demand. Coin or currency is shipped to provide ex-

change only when this premium reaches a point higher than the shipping cost. The express cost for shipping gold from San Francisco to Chicago is $1.50 for each $1000 shipped. The cost for currency is less. The rate of premium for Chicago or New York exchange in San Francisco is therefore never in excess of $1.50 per $1000.

It is a practice in San Francisco when crediting the accounts of interior banks for large checks on New York, Chicago or St. Louis, to add a premium at the current rate for New York exchange. A premium slightly in excess of the current exchange rate is charged for cash letters received from Eastern banks or sometimes a flat rate the year around. Premiums paid are debited to "Domestic Exchange" or to a General Ledger account bearing some similar name and premiums collected are credited to this account. Similar conditions exist in other cities although the rate of exchange charge to depositors is often regulated by Clearing House agreement.

A separate account, entitled "Transit Exchange", is very useful for keeping track of exchange charged by other banks on cash letters sent through the Transit department. Amounts collected from depositors to cover these charges are credited to "Transit Exchange".

It is interesting to trace the bookkeeping entries occasioned by exchange charges on Burke Automobile Repair Company's $1000 check in its course through the various banks.

The check was credited to the depositor in Chicago, listed on a teller's blotter to Transit Account, carried by the Transit department among the outstanding items and, finally, debited to the collecting bank and credited to Transit Account. Similar entries were made in San Francisco. The Los Angeles bank credited the check to San Francisco as soon as received and collected it from the drawee bank through the Clearing House.

To complete the transaction and explain the exchange charges, let us assume that the Los Angeles bank found it necessary, because of this and other transactions, to purchase $50,000 of San Francisco exchange and the San Fran-

cisco bank to purchase $100,000 of Chicago exchange. The books of the various banks should contain exchange entries about as follows:

In Los Angeles:

Debit Domestic Exchange not to exceed $37.50 for premium on the $50,000 San Francisco exchange. This is the cost for shipping coin by express; the exchange cost cannot be higher.

Credit Cashier's Checks the same amount. This premium is paid by means of a Cashier's Check to the bank from which the $50,000 exchange is purchased.

Debit the bank in San Francisco $1. Los Angeles banks charge San Francisco banks exchange at the rate of $1 per $1000 for all checks bearing Eastern endorsements. This is under Clearing House agreement.

Credit Domestic Exchange the same amount. If the amount debited Domestic Exchange were at the maximum rate of 75c per $1000, this would represent a profit of 25c to the Los Angeles bank; the actual profit is greater.

In San Francisco:

Credit the bank in Los Angeles $1 to cover the amount charged by it.

Debit Transit Exchange this amount for bookkeeping convenience.

Debit Domestic Exchange $40 for premium on the $100,000 Chicago exchange purchased.

Credit Cashier's checks this amount. The Cashier's check is paid to the bank from which the exchange is purchased.

Debit the bank in Chicago $1.40 to cover the cost of exchange on the $1,000 check.

Credit Transit Exchange $1.00 of this amount.

Credit Domestic Exchange the remaining 40c.

In Chicago:

Credit the bank in San Francisco $1.40 to cover the amount charged by it.

Debit Transit Exchange this amount until it is convenient to collect it from the depositor.

Debit the depositor $1.40 either when the check is paid, when it is deposited or at the end of the month.

Credit Transit Exchange a like amount.

Exchange Statistics

Information or statistics should be available to the Exchange teller, to the officers, to the Analysis department and to the Advertising or Business-Getting department (if there is one), showing the total amount of incoming cash letters from each depositor and from each locality, the time of year different quantities are received from different localities, the proportions of local and out-of-town items and the nature of the out-of-town items. This information may be gathered by the Exchange, by the In-Mail or by the Analysis department. Similar information should be available from the records of the Transit department, showing the amount of outgoing cash letters sent to each bank and to each locality, the sources from which the items are received and the proportions between items received over the counter and items received by mail.

In the smaller banks, no attempt is made to tabulate this information. Incoming cash letters from Exchange banks and outgoing cash letters to Exchange banks are handled through the Exchange teller's blotter because the Exchange teller needs the information which he may glean from them. Incoming cash letters from local banks are handled by the Receiving tellers, who are looked to for any desired information regarding deposits. Outgoing cash letters to other than Exchange banks are handled by the Collection teller. Work is assigned to a department with more regard to the information needed for the intelligent handling of the department than to economy in handling the items.

Exchange Work of Transit, In-Mail and Exchange Departments

The officers, responsible for all phases of the bank's activity, usually retain more or less control over exchange operations. To obtain the privilege of issuing drafts against banks in certain cities, they open accounts with them, arrange for payment of interest on balances and for exchange on cash letters and collections and, possibly, for rediscount facilities. For the intelligent handling of these negotiations, statistics from the Transit department should be available, to show

what items can be forwarded to each new bank connection. The Exchange teller should advise with which banks accounts can be opened to best advantage. The Transit manager is sometimes interested in opening new accounts, to obtain improved conditions as to Transit Exchange, but when there are sufficient Transit items on a city to warrant an account being opened, there is apt to be a similar demand for drafts on the same city.

The Exchange teller must watch the balances of all Exchange bank accounts, must order transfers from one Exchange bank to another and must, at all times, be sure he has on deposit balances sufficient to cover all drafts issued or transfers ordered. He must purchase exchange from other banks when the premium is low and sell it when the premium is high. He must learn the exchange needs of the community and see that his bank is equipped to fill them.

The Transit manager must know that every bank to which he sends cash letters is solvent; he must send letters by the most direct routes possible; he must see that all items are promptly remitted for; within these restrictions, he must keep the Transit exchange cost as low as possible.

The In-Mail tellers' functions are almost entirely routine. Experience and good judgment are needed, however, in carrying out the depositors' instructions and in deciding which items may be immediately credited and which shall be entered for collection or returned. Checks for collection should, as a rule, travel in only one direction. The In-Mail tellers must be on guard against accepting for credit from any out-of-town depositor checks drawn on banks in the depositor's own vicinity, because such checks are open to the suspicion that the funds were not on deposit when the checks were drawn and that an attempt is being made to gain time by this roundabout method of collection. The bank's prestige among its mail depositors depends largely upon the care, accuracy, neatness and general intelligence of the clerks in the In-Mail department.

The operations of these three departments are interwoven but each department has its separate and distinct functions. The In-Mail teller handles incoming cash letters and the

Transit department out-going cash letters. The Exchange teller is concerned with the general features of exchange activity and should not be hampered with these details.

Cash Letters from Exchange Banks

Cash letters from Exchange banks and cash letters "for remittance" are sometimes assigned to the Exchange department for handling as a matter of convenience in adjusting the work of the various clerks and tellers. The relative volume of work in the Exchange department and in the In-Mail department is made the controlling factor and the work assigned to the department in which the clerks are least busy. If the work is given to the Exchange tellers solely because they would otherwise be idle each day until 9:30 a.m., no inconvenience need be caused by assigning the work to the In-Mail department and requiring the Exchange tellers to assist the In-Mail department each morning until 9:30 a.m. To the extent that the work is identical, it should be accomplished more efficiently by one department than by two. As far as possible, the work should always be assigned to the department in which it logically belongs and the amount of help in each department adjusted to meet its requirements.

The Exchange teller should keep in personal touch with all the main transactions relating to Exchange banks but it hardly seems necessary for him to attend to the details of handling cash letters from and to them. Letters from all banks can be handled by the In-Mail teller and all desirable information given by him to the Exchange teller. To the Exchange teller can be submitted for inspection all checks over a certain size as well as the daily "deposit lists" and "remittance lists". The routing of large checks to Exchange banks should be to a large extent under his general instructions and he should inspect, each day, the Transit department's debit list for cash letters to Exchange banks.

CHAPTER XII

THE EXCHANGE TELLER

Exchange Teller's Duties

The many and varied duties of the Exchange teller may all be grouped around the fundamental duty of transferring funds from city to city for the bank's clients. The In-Mail and Transit departments perform a large amount of work in connection with the transfer of funds from city to city but their field is limited to the routine handling of a limited class of checks.

The Exchange teller must arrange for the purchase and sale of exchange in large and in small amounts, the issuing of drafts on other banks, the ordering of transfers from one Exchange bank to another and the maintaining of proper balances in the various banks. The functions of the Exchange teller also include the purchase and sale of time and demand drafts on foreign banks, the issuing of travelers' and of commercial letters of credit, the cashing of drafts under letters of credit and the transferring of funds to and from other banks.

The work of the Exchange teller appears complicated, not because of the complexity of any one transaction but because of the number of different kinds of transactions and because the documents handled are not all self explanatory and in most cases require some technical knowledge of exchange operations to be intelligently handled. The real complexity of the Exchange teller's work is caused by the constant fluctuations in exchange rates, making it necessary for him to keep in close touch with current economic conditions.

Bank Drafts

A merchant in San Francisco has a bill for $1000 to pay in New York and purchases from the Exchange teller of The First National Bank of San Francisco a bank draft. When the draft is paid, the account of The First National Bank of San Francisco is debited $1000 by the bookkeeper of the National Bank of Commerce in New York. At the end of the month a statement of all transactions for the month is rendered by the National Bank of Commerce to The First National Bank. The draft is listed on this statement and is returned, cancelled, to The First National Bank, by which bank it is filed numerically with other cancelled drafts for possible future reference.

In issuing the draft, one of the Exchange tellers of The First National Bank records the number, the amount, and the name of the payee in a "Draft Register". This is a loose leaf book in which are registered these facts for all drafts issued. In this book there are a guide and a set of blank pages for each correspondent on which drafts are issued. Separate books may, if warranted, be used for each of the larger accounts. If the drafts are written on a typewriter in duplicate, only the numbers and amounts need be recorded in the draft register and this recording may be done by use of the adding machine.

The teller's blotter must show each day the total of "Drafts Issued" as a subdivision of "Individual Deposits". This information may be obtained by copying forward from the draft register the totals of drafts issued against the various banks or it may be obtained by listing in the blotter separately the applications for exchange, an operation somewhat similar to the listing in the Receiving tellers' blotters of all deposit tags. If these applications are listed in the blotters, the total amount for each drawee bank may be kept separate, these totals to be compared with the totals in the draft register.

The Exchange teller must report to the bookkeepers, each day, the total amount of drafts issued against each bank, so that the amounts may be credited to the various accounts. Separate forms may be used for this report or the draft regis-

ter may be submitted to the bookkeepers and the amounts copied by them direct from the draft register to the ledgers.

Drafts on Foreign Banks

There is little difference between drafts on United States banks and drafts on Foreign banks.

One draft calls for payment in U. S. gold dollars, the other in a Foreign currency.

In registering a domestic draft, the amounts of the draft and of the premium are recorded. In registering a foreign draft, the amount in gold and the amount in foreign currency are recorded, together with the rate at which converted from one to the other. A London draft issued, would appear in the register about as follows: "Date issued, September 30, 1913; Purchaser, A. E. Jones; Payee, Edward English; Number 1450; Amount, Gold $485.50; Amount £100/0/0 Stg.; Rate of conversion 4.85½; Time, On Demand". The amount $485.50 would be listed in the blotter under the general heading "Individual Credits" and possibly under one of the subheadings: "Drafts Issued", "Foreign Drafts Issued", "Foreign Credits" or "London Credits".

The foreign draft travels through the same channels as the domestic draft but, after being listed on the monthly statement of account, is usually retained by the paying bank instead of being returned to the drawer.

Time drafts sold are recorded in the draft register and in the teller's blotter in the same manner as demand drafts. The time drafts are usually registered separately from the demand drafts so as to make readily available at all times approximate information as to the actual balance in London to the credit of the depositing bank. A separate account in the Exchange Banks ledger, entitled "Foreign Time Drafts Issued", is sometimes found useful. The balance to the credit of this account at any time will represent all drafts at thirty days sight issued during the preceding twenty-nine days, all sixty day drafts issued during the preceding fifty-nine days and all ninety day drafts issued during the preceding eighty-nine days.

In the same way it may be found desirable to keep a separate record of any foreign bills of exchange purchased which will not be payable immediately upon their receipt in London. A proper title for an account into which these items may be charged is "Foreign Time Bills Purchased". The balance at any time to the debit of this account will show the total of all time drafts purchased but not yet due.

Draft Register or Credit Register

The Exchange teller must record in his "Foreign Drafts Issued Register",* the numbers, amounts and other facts regarding all drafts which he has issued against the various foreign banks. The daily totals of drafts issued as shown by this register must then be posted by the bookkeepers to the ledgers.

Some banks record all credits to foreign bank accounts in their Foreign Drafts Issued Register, in addition to the details of drafts issued. The book should then be called the "Foreign Credit Register". Only the daily totals of all credits to each bank are then entered in the bookkeepers' ledgers; the total of drafts issued does not appear as a separate item.

Bookkeepers must each day compare their deposit totals with the deposit totals shown by the tellers' blotters. In making this comparison, there must be included in the bookkeepers' figures the daily totals from the Foreign Credit Register. A preliminary proof of the Foreign Credit Register can readily be made by the Exchange department before the totals are reported to the bookkeepers, if it be provided that no credits to the accounts of foreign banks originate through any other than the Exchange teller's blotter. The Exchange teller will then carry on his blotter under the general heading "Individual Credits", a sub-heading "Foreign Credits". The daily total for all banks as shown by the Foreign Credit Register must equal the daily total under this sub-heading.

Foreign Debit Register

A "Foreign Debit Register" is used in some banks in preference to the "Foreign Bills of Exchange Purchased Register". The daily totals from this Foreign Debit Register must

**Also named "Foreign Bills of Exchange Sold Register".*

be included in the bookkeeper's daily total of checks paid when this total is compared with and balanced to the totals on the tellers' blotters. A preliminary balancing of the totals in the Foreign Debit Register to a corresponding total in the Exchange teller's blotter is not as easily accomplished as is the comparison of credit totals. It is easy to arrange for all deposits to the accounts of foreign banks to originate in one specified blotter but debits to the accounts of foreign banks are liable to originate in any teller's blotter and it is difficult to arrange otherwise.

One method for handling these debits through the Exchange department is the use of "dummy" forms but this method is not practicable if there are many debits each day. All tellers handle through their blotters transactions which include debits to foreign bank accounts; they are required, for each such debit, to send a memorandum or "dummy" through the Interior Proving department to the bookkeepers and to send the debit itself direct to the Exchange department. Dummies should be sent to the bookkeepers for debits from the Exchange teller as well as for those from other tellers. By use of this dummy, the records of the Interior Proving department are kept in balance with the blotters of each of the tellers and the bookkeepers' Daily Check Proofs are kept in balance with and show the same details as the Interior Proving department's records. A daily report from the Foreign Debit Register must be made to the bookkeepers, showing the total of daily debits against each foreign account. The bookkeepers list the dummies for debits to foreign banks in their Daily Check Proofs, separately, making a subtotal of them; the footing of the totals on the report from the Foreign Debit Register must equal this subtotal. The totals are posted from the report to the various accounts in the bookkeeper's ledger. Entries in the ledgers have then, through the medium of the Exchange department, been made from the original documents and not from the dummies. No ledger records of any kind should ever be made from dummies unless the bookkeeper making the entries sees the original documents the same day and carefully compares them with the dummies.

Foreign Bills of Exchange Purchased

It is preferred in some banks that foreign bills of exchange purchased be accepted only through the Exchange teller's blotter. The Exchange teller either issues Cashier's Checks for them or makes payment in coin or currency.

It is usually found more convenient for the depositors, however, to allow these bills of exchange to be handled through the tellers' blotters and the Foreign Debit Register in the same manner as debits to foreign banks. Provision must be made in the register for a full record of all the vital facts regarding these items, together with a memorandum as to the final disposition of each item.

The items may, if preferred, be recorded separately in a "Foreign Bills of Exchange Purchased Register" and the daily totals for each bank posted to the Foreign Debit Register or to the bookkeeper's ledger.

When there are many foreign transactions each day, a General Ledger account entitled "Foreign Bills Purchased", may be desirable. To this account all foreign items may be charged by the tellers on their blotters, just as Transit Account items are charged. The Exchange department will then be obliged to verify daily the total of all foreign bills purchased which they have received from the tellers. The total amount sent to each bank must then be debited to the bank to which forwarded and must be credited to "Foreign Bills Purchased".

Each foreign bill of exchange purchased should receive the "O.K." of one of the bank's officers before it is accepted by the tellers and on it should be marked by the Exchange teller in pencil, the rate of exchange and the U. S. gold equivalent.

Foreign Accounts: Bookkeeping

The bookkeeper who handles accounts with foreign banks should have in his ledger two sets of debit, credit and balance columns, one for foreign currency and one for U. S. gold. His records should at all times show the balance to the debit of each foreign account in terms both of foreign currency and of U. S. gold. All debits and credits to foreign accounts must specify the amount in U. S. gold and in foreign currency.

The amounts in U. S. gold are listed on the blotters, in the Interior Proving department's records and in the bookkeepers' Daily Check Proof; both the U. S. gold amounts and the foreign currency are listed in the ledger. A credit to London for a £10/0/0 Stg. draft sold @ 4.85½ would be recorded in the U. S. gold credit column of the ledger as $48.55 and in the Sterling credit column as £10/0/0; a debit for £10/0/0 Stg. @ 4.85 would be recorded in the U. S. gold debit column as $48.50 and in the Sterling debit column as £10/0/0. The total amount due from London appears on the books of the depositing bank as a debit balance. These two £10/0/0 transactions result in a decrease of 5c in the U. S. gold debit balance but cause no change in the Sterling balance.

The London demand balance as shown by the ledger on June 1st was £10,000/0/0 Stg. and $48,400 U. S. gold. The buying rate for London demand exchange on June 1st was 4.84; the U. S. gold balance shown by the ledger, therefore, represented the actual value of the Sterling balance. There have been many transactions throughout the month and on June 30th the Sterling balance is found to be £20,000/0/0. It is this Sterling debit balance on the books of the United States bank which shows the amount on deposit in London. Figured at the June 30th market rate, which is found to be 4.85, the £20,000/0/0 Sterling balance is worth $97,000. The U. S. gold debit balance in the ledger has during the month changed from $48,400, the amount shown on June 1st to $96,750 on June 30th. The difference between this amount and the U. S. gold equivalent of the Sterling balance at the current exchange rate is $250, and is caused by the variation between the buying and selling rates for exchange throughout the month, by the increase in the exchange rate June 30th over that of the previous month and by minor debits and credits for interest et cetera.

Entries must be made from time to time to adjust the U. S. gold balance so that it will truly represent the U. S. gold equivalent of the Sterling balance at the current market rate. Such adjusting entries for all foreign accounts can well be made at the end of each month. Following this practice, it is necessary on June 30th to debit London $250 and to credit

the same amount to Profit and Loss or to some other earnings account. This debit brings the book equivalent of the £20,-000/0/0 Stg. London debit balance up to $97,000 U. S. gold, its value at the current market rate for exchange. A convenient name for the earnings account is "Foreign Exchange".

Minor Debits and Credits

The London bank debits its depositors various amounts throughout the month for commissions, postage, stamp tax and translating endorsements and credits its depositors for interest and other items. For each such debit, the United States bank must credit its London account a like amount in Sterling; for each credit it must debit the London account in Sterling. Assume that the Bank of Montreal in London has credited The First National Bank of San Francisco £20/0/0 Stg. for interest. The First National Bank must debit London £20/0/0 Stg. If the rate is 4.85, the U. S. gold equivalent of this amount is $97. The Exchange teller writes out an office debit for £20/0/0 Stg. with the $97 U. S. gold equivalent. He then either records this debit in his London Debit Register, enters the amount from a dummy for the debit in his blotter under the heading "Individual Checks" and sends the dummy to the Interior Proving department or enters the debit in his blotter and sends it through the Interior Proving department to the bookkeepers for direct record in the ledger.

There must be made, at the same time, a credit to some account for $97.00 to offset this debit on the blotter. The amount may be credited to "Foreign Exchange" and in this way appear at once among the bank's earnings. A better way, however, is to credit "Bank of Montreal, London" $97 U. S. gold, using £0-0-0 as the Sterling equivalent. (Instead of $97, $1 may be used for both the debit and the credit.) London has then been debited $97 U. S. gold and £20/0/0 Stg. The U. S. gold debit has been offset in the ledger by a credit of $97 but there has been no Sterling credit. The U. S. gold equivalent of the Sterling balance, therefore, remains unchanged while the Sterling balance is increased £20/0/0. The $97 must, at the end of the month, be carried to the debit of the U. S. gold balance as a part of the monthly adjusting

entry. Such a transaction during the month of June would account for $97 of the $250 profit from the account. The $97 is credited to London instead of to Foreign Exchange so that the net earnings from the account shall appear in the one adjusting entry at the end of the month, this making it possible to know at a glance the net earnings for each account each month.

Travelers' Letters of Credit

Letters of identification are frequently forwarded to one or two banks so that the otherwise unidentified holder of a draft may obtain payment for his draft but the Traveler's Letter of Credit is usually found more convenient. This is a much more formidable looking document than the bank draft. It is in the form of a letter signed for the issuing bank by the President or a Vice-President and the Cashier or an Assistant Cashier. The letter is addressed in general terms to all correspondent banks and bankers. A pamphlet containing the names of one or more correspondent banks or bankers in each of the principal cities through which he expects to travel is usually given to the holder of the Letter of Credit. A specimen set of signatures of the issuing bank's officers has previously been filed with each of these banks and the traveler may obtain the funds called for by his Letter of Credit from any one of them. The Letter reads somewhat as follows:

> "This will introduce to you Mr. S. H. Roberts, whose signature appears below, and whom we commend to your kind attention.
>
> "Please cash drafts of Mr. Roberts at sight on the National Bank of Commerce in New York, for any sum not exceeding the aggregate amount of one thousand dollars, each draft bearing the number of this letter and its amount being endorsed by you hereon.
>
> "We engage that drafts drawn in compliance with the terms of this Credit shall have due honor.
>
> "Your charges are, of course, to be paid by the accredited party.
>
> "This Credit will continue in force for one year from date and is to be returned with the final draft."

Mr. Roberts arrives in Pittsburgh and wants $100. He examines his list of the issuing bank's correspondents and

from the list selects the name of an available bank. To this bank he presents the Letter of Credit; he requests that he be paid $100. The Exchange teller fills out a draft for this amount, places upon the draft the number of the Letter and endorses upon the back of the Letter the date, the amount and the name of the paying bank, returning the Letter to Mr. Roberts, who signs the draft and obtains his $100.

The draft is listed by the teller on his blotter sheet under the heading "Transit Account" and is collected by the Transit department from the National Bank of Commerce in New York. The National Bank of Commerce debits the amount of the draft to the account of the San Francisco bank and forwards it to them for credit.

Records must be kept by the bank issuing the Credit and by the bank on which the drafts are to be drawn, showing for each Letter of Credit the name of the payee, the aggregate amount guaranteed, the date issued, the date upon which it will expire and its number, together with a statement of the provision made by the payee for funds with which to pay any drafts and as to method of collection. Whenever full payment for the Letter of Credit is obtained at the time it is issued, the funds so received are credited to an account bearing some such title as "Circular Letters of Credit". Drafts issued under these letters are, when paid, debited to the account "Circular Letters of Credit". Other Letter-of-Credit drafts are debited to various depositors' accounts. Still others are debited to City Cash Collections, to be collected by the Collection department. The records must further show, for each draft paid, the date recorded, the place and date of payment and the amount. It is found very convenient to use a loose leaf book for these records, the book to contain one page for the record of each Letter of Credit. In different sections of the book can be kept the records of different classes of Letters of Credit: Travelers' Letters authorizing drafts in U. S. gold on New York, Travelers' Letters authorizing drafts in Sterling on London, Commercial Letters et cetera.

Upon receipt from the National Bank of Commerce in New York of the cash letter containing the Roberts draft, the Exchange teller opens the Letter-of-Credit record book to the

New York Travelers' Letters section, to sheet number 2342, and there finds that L/Cr. No. 2342 was issued in favor of S. H. Roberts, for $1000, that no drafts have been paid previous to this and that any drafts presented under the credit are to be collected from the Roberts Engraving Company. The teller then records the payment of the draft on this page, enters the cash letter on his blotter as a credit to National Bank of Commerce in New York and enters the draft on his blotter under the heading "Debit City Cash Collections."

Drafts with Documents

A San Francisco firm shipping asparagus to a merchant in Houston obtains payment for the shipment by means of a draft with documents attached. When the asparagus is surrendered to the railroad company for shipment, the railroad company issues a bill of lading in which the shipment is made deliverable—not to the merchant to whom the goods are being shipped but to the shipper's own order. The shipper then issues a draft against the Houston merchant for the price of the asparagus. This draft is made payable to the order of the collecting bank. The bill of lading is endorsed in blank by the shipper and attached to the draft. To obtain the asparagus, the Houston merchant must obtain the bill of lading. To obtain the bill of lading, he must pay the draft. If payment of the draft is refused, the shipment remains subject to the shipper's order.

The purchaser is under no obligation to arrange for credit at the bank at the time he orders the shipment. He has merely to convince the shipper that he is a bona fide purchaser and expects to be able to pay for the shipment upon its arrival. When he orders the goods shipped, he instructs the shipper to draw on him and to attach the bill of lading or other shipping documents to the draft.

Commercial Letters of Credit

A merchant purchasing goods from a foreign shipper must, on the other hand, arrange for credit at the time he places his order. Distances are greater. Laws of one nation are different from those of another. The foreign merchant wants to know that his shipment will be accepted by the consignee

and that he will receive in exchange for it the payment agreed upon. He does not want to wait for his money until after the shipment has been received by the consignee and paid for. He insists upon obtaining, as soon as the goods are shipped and before they have left his control, either his money or a negotiable draft for the amount. His own draft with documents cannot be negotiated unless accompanied by good evidence that the draft will be honored upon presentation. The Commercial Letter of Credit, obtained by the purchaser before he orders the shipment, provides such evidence.

The Commercial Letter of Credit is usually addressed to only one bank, frequently to a bank in London. It orders that, upon receipt of bills of lading and other described documents showing certain specified shipments to have been made, the bank shall pay a draft or drafts drawn by the foreign merchant or his order and not exceeding in the aggregate a certain sum; the Letter also contains instructions as to the handling of the documents.

The records of Commercial Letters of Credit and of drafts paid under them and the methods of handling are very similar to the records and the methods for Travelers' Letters of Credit. For Commercial Letters of Credit, the register must also provide for full information as to the documents.

Telegraphic Transfers

Another much used method for transferring funds from city to city is the "Telegraphic Transfer".

The principles involved in transferring funds "by wire" are the same as in transferring funds by mail. The amount to be transferred is, in both instances, paid to a bank in one city and paid out by a bank in a second city; the bank in the first city must reimburse the bank in the second city by forwarding cash or exchange.

The methods of transfer "by wire" are of necessity different from the usual methods of transfer by mail. When funds are to be transferred by mail, the person who wants the transfer made forwards to the payee an order on the paying bank for the amount. For a transfer "by wire", the order is sent by telegram from a local bank direct to the paying bank and

the paying bank notifies the payee to call. When he orders funds transferred by telegram, the purchaser obtains from the bank a receipt for his money and this receipt he does not forward to the payee but keeps in his own possession.

Such large amounts can be transferred in such a short time by use of the telegram, that every possible safeguard should be thrown around this method of transfer. Banks refuse, as a rule, to make any payments under telegraphic order unless the order is in code. Payments are not made under open telegrams. When some particular code has not been agreed upon, the American Bankers' Association code is generally used. Some agreed upon check-word must appear in the telegram as evidence of its genuineness. This first step is essential to prevent payments under forged telegrams. A second step is to make the records so simple and so clear that the Auditing department will quickly discover any payments made by the bank's correspondents but not credited to them.

For auditing purposes, the blank receipts for telegraphic transfers should be numbered consecutively and the bank's records should show every number properly accounted for. A record of receipts issued may be obtained by use of carbon, each receipt being made in duplicate, the original to be given to the purchaser and the carbon copy to be retained by the bank. The telegrams should be sent from these copies of the receipts.

If it is preferred not to use carbon, the receipts can be kept in pads, numbered consecutively, ready for use, and can be recorded in a separate loose-leaf register. There are some transfers for which the issuance of receipts is superfluous, such as transfers made from one depositary to another for the purpose of adjusting balances between Exchange banks, and it is for this reason that a loose-leaf register is sometimes preferred to a record formed from carbon copies of the receipts.

The daily total from the Telegraphic Transfers Register may be carried into the teller's blotter under the heading "Individual Deposits" or the amounts may be carried in detail from the register into the blotter or it may be preferred to use the applications for telegraphic exchange as deposit tags and

enter them directly into the blotter. Likewise, the bookkeepers may obtain the entries for their ledgers from the Telegraphic Transfers Register or from the applications. It may be found convenient to enter the amounts in the teller's blotter, in the Interior Proving department's records and on the bookkeeper's Daily Deposit Proof from the applications and enter the amounts in the bookkeeper's ledger from the register. If this method is followed, arrangements must be made so that the bookkeeper will compare the total of these applications with the daily total of the Register, in order that a variation in the total shall not be offset by some contra error in the ledger.

Premiums received for Telegraphic Transfers and amounts received to cover cost of telegrams may be recorded in the Register and from there carried to the teller's blotter as credits to Eastern Exchange.

When a telegram is received ordering a payment made for account of some correspondent, the Exchange teller first determines whether the telegram is genuine. A notice is then either mailed or telephoned to the payee. When the payee calls, he signs a receipt in duplicate for the amount. Payment is made to him and the account of the bank which ordered the payment is debited for the amount. To this bank is forwarded an advice of the debit, together with the duplicate receipt.

When payment is made for a bank with which or by which no current account is carried, the amount must be debited to City Cash Collections or to Suspense Account pending receipt of a remittance to cover. The debit is listed on the teller's blotter either to "Individual Checks", to "City Cash Collections" or to "General Ledger Checks," according to which account is being debited.

Exchange Teller's Blotter

It is sometimes convenient to use for the Exchange teller's blotter two sheets of different colors, one for credits and one for debits. The number of subdivisions required may vary. The first object of a teller's blotter is to furnish a concise record of all cash transactions handled by the teller, in order that he may know each day that all cash which he

handles is accounted for. There is no reason, however, why the blotter should not incidentally furnish much useful information; all subdivisions which will aid it in doing this or which will help to simplify the records should be used When all the day's figures have been assembled and the totals for the various subdivisions combined to show only one total for each main division, the results will appear about as follows:

Recapitulation of Exchange Teller's Blotter

Dr.			Cr.
Credit Accounts as Follows:		**Debit Accounts as Follows:**	
General Ledger Credits	$ 100	General Ledger Debits	$ 35,000
Cashier's Checks Issued	60,000	Transit Account	3,500
Domestic Exchange	50	City Cash Collections	1,500
Certificates of Deposit	7,000		
Total G/L Credits	$ 67,150	Total G/L Checks	$ 40,000
Individual Deposits	132,799	Individual Checks	120,000
Total Deposits	$199,949	Total Checks paid	$160,000
		Collection Desk Drafts*[1]	22,000
		In-Mail Drafts*[2]	10,000
		A.M. Clearing	500
		P.M. Clearing	2,500
Coin and Currency from Vault	50	Coin and Currency to Vault	5,000
Over	1		
	$200,000		$200,000

*[1]*See Page 86.*
*[2]*See Page 51.*

CHAPTER XIII

THE COLLECTION TELLER

Collection Teller's Duties

The Collection department is, in most banks, a constant source of expense. This and the Transit department are both indispensable parts of the equipment of a modern bank. Both departments are maintained because of specific services which must be rendered to the depositors and not as a direct means of increasing the bank's earnings. Both, if well equipped and intelligently used, have a certain amount of advertising value. Occasionally, for the services rendered by the Collection department, large enough charges are made to reimburse the bank for the actual outlay of expense but, usually, the department is conducted at a net loss.

It is the duty of the Collection teller to collect or attempt to collect all items, other than cash items, which are payable in other cities or towns and all drafts, notes, checks or coupons which are drawn against or payable by local individuals, firms, corporations or banks but which are not collectible through the Clearing House.

Notes which the bank has discounted are, in some banks, charged to the Collection teller on the due date and the amounts credited by him to Bills Receivable.

Drafts With Documents

Drafts with documents attached are usually handled both in the sending bank and in the receiving bank by the Collection teller. When accepted by the Collection teller, these drafts are recorded by him in his Collections Register.

Frequently, a firm shipping goods covered by such a draft wishes the funds advanced as soon as the shipment has

been made. This result can be accomplished by allowing the draft to be placed to the firm's credit through the Receiving teller's blotter and, by the Receiving teller, charged to Transit Account. Inasmuch, however, as interest should be collected on the amount for the time the draft is outstanding, this does not seem to be the best method for advancing the funds. It is not desirable and does not appear to be necessary to complicate the work of the Transit department by adding to its duties the collection of items which bear interest or for which immediate payment is not expected.

A more satisfactory way of making such advances would seem to be through the Note department. The depositor is required to sign a note for the amount of each such draft and to give the draft and documents to the Note teller as security for the loan. It is better to make these advances through the Note department because, even if such drafts were charged to Transit Account, the number of interest-bearing items handled by the Transit department would not be large while all items handled by the Note teller are interest bearing. The Note teller will see that the security is kept intact and will collect interest when the note is paid. There is the further advantage that the clerks in the Transit department will not be turned aside from their habit of expecting all items to be remitted for promptly by return mail.

The Note teller retains the note in his files and gives the draft to the Collection department for collection. The Collection department follows up the draft and obtains payment on arrival of the goods, paying the Note teller for the draft and recording the date of payment in the Collections Register. The Note teller credits the amount to Bills Receivable, returning the cancelled note to the depositor.

Other Drafts

More drafts are handled without documents than with. Many firms make all their out-of-town sales on credit, shipping their merchandise direct to the purchasers and then issuing drafts against the purchasers as a means of collecting their bills. Some firms frequently deposit hundreds of drafts with the Collection teller at one time, the drafts to be

forwarded by the Collection teller to all parts of the country for collection, the depositor's account to be credited only when payment is actually received.

Checks for Collection

During the panic of 1907, the banks in many cities refused to accept on deposit as cash any checks on out-of-town banks. These checks were, instead, left by the depositors with the Collection tellers for credit to the depositors' accounts when paid. The banks learned from this experience that it requires more labor and expense to collect the items, one at a time, through the Collection department than to collect them in groups on cash letters through the Transit department. Collecting the items through the Transit department increases the balance of outstanding items in Transit Account and therefore decreases the bank's loanable funds (except when increased credit balances are kept with the bank by the depositors of the out-of-town checks). The saving in cost of handling which results from collecting out-of-town checks through Transit Account is greater than any possible loss in interest caused by the decrease in loanable funds.

The bulk of checks on out-of-town banks are, therefore, as a matter of convenience and economy, credited immediately to the depositors' accounts and collected through Transit Account. A few checks remain which must be handled as collections rather than as cash items. The depositor occasionally wants telegraphic information as to whether a check is honored. The bank or the depositor sometimes has reason to doubt whether a certain check will be paid upon presentation. Crediting out-of-town checks as cash is equivalent to loaning money to the depositor. Some out-of-town checks are larger in amount than the depositor's credit standing or the size of his average balance would warrant the bank in accepting as cash. All such checks should be sent to the Collection department to be credited to the depositors' accounts only when paid.

Outgoing Collections: Records

There is a lack of uniformity in methods for recording, collecting and disposing of these various outgoing collections.

Common to all the different methods is the use of carbon. The lack of uniformity is in the size, shape and wording of the collection records and of the outgoing letters and in the choice of forms to be combined with each other in the use of carbon.

> For every collection there must be an outgoing collection letter.
>
> A record must be kept of the amount, the depositor's name, the bank to which sent and the ultimate fate of each collection, together with a memorandum of any special instructions.
>
> Every collection for which payment is secured must be either credited to a depositor's account or remitted for; the Collection teller must fill in either a credit tag or an application for exchange or must issue a Cashier's Check.
>
> A credit advice must be sent to the depositor for every amount credited to his account.
>
> An office debit must be made out for every credit advice received by the bank.

Collection letters are sometimes written in quadruplicate or even in quintuplicate, the copies so obtained being used for these various purposes.

Out-Collections Register

A method which has been found to work very satisfactorily is to write the letters in triplicate, retain the duplicate copies to serve as a Collections Register and forward the original and the triplicate with the collection. On one of the outgoing letters are printed in red ink the words "Retain this letter for your files" and on the other "Return this copy with your advice of payment". A majority of banks desire to keep the incoming letter for their records. It is proper that they should do so. Sending the letter to them in duplicate makes it possible for them to retain the original for their files and to return the other copy with their advice of payment or with the rejected item. Many banks stamp with their "Paid" stamp the copy which they are returning and in this way avoid making out a credit advice.

A copy of the outgoing collection letter having been returned to the bank with advice of payment, the Collection teller makes out the credit tag and credit advice from this copy and is saved

the time of looking up the records for the depositor's name and other necessary information. Full information regarding the collection is automatically brought to hand. The register need not be referred to except after the entries have all been made and then only for the purpose of recording the "Paid" stamp upon the record of all paid items.

For identification when the item is paid or when it is returned unpaid, every outgoing collection should be numbered and this number placed upon the original, the duplicate and the triplicate of the outgoing letter. The duplicate copies of the outgoing letters, filed numerically, constitute an Out-Collections Register. This Register should be divided into an active and an inactive section. All the records are at first filed in the active section; each page must be transferred to the inactive section as soon as all the items on the page are either paid for or returned unpaid.

The letters may be made up in pads with several on one page or they may be made up with only one letter to a page; it is a matter of individual opinion which is the more convenient. Whether the records shall be filed in a binder and thereafter form a book register or be filed in a box like cards depends to a large extent on the number of transactions, the size and shape adopted for the forms and the number of forms to a page in the register. A convenient arrangement, if the letters are filled in by hand, is for the forms to be seven inches long by three and one-fourth inches wide and to be printed with six on a page but, if a typewriter be used, a wider and shorter form is more convenient. The original and triplicate sheets should have the letters separated from each other by perforations; the duplicate should have a margin on the left side for binding.

Different series of numbers and separate binders may be found convenient for different classes of items. For auditing purposes, a useful classification is by depositors: one binder for collections from banks within the State, one for those from banks outside the State, one for items received over the counter and possibly one each for items from those several depositors from whom the largest numbers of collections are received. Such a classification makes it possible to quickly locate the record of the items from any one depositor.

In-Coming Out-of-Town Collections

Collections on out-of-town drawees received from out-of-town depositors should be recorded in a separate section of the Out-Collections Register. As registered, the number should be placed upon the incoming letters and the letters filed in the general files. An inquiry from a depositor as to any item can then be answered by obtaining the depositor's letter from the general files. This will show the collection number and reference to the register can be readily made. The auditors receive many inquiries regarding items which do not fit the descriptions given by the inquirers. Items which cannot be readily identified by reference to the letter files can frequently be found and identified by reference to this section of the Out-Collections Register.

Returns for Outgoing Collections

When advice of payment is received for an outgoing collection, either a bank draft for the proceeds accompanies the advice of payment or else the Collection teller must make out an office debit against the account of the collecting bank in order to obtain the funds. The funds must be remitted to the depositor or to some place ordered by him or they must be credited to his account. If remitted, an application for exchange and a letter of enclosure for the draft must be written. If credited to his account, a credit tag must be made out and an advice of credit sent to the depositor.

These credit advices and credit tags should be made in one operation, by use of carbon, the original to be used for the credit advice and the carbon copy for the credit tag. The advice slip may be shorter than the credit tag. This makes it unnecessary to remove the carbon in order to omit from the advice details which are of no interest to the depositor but which must be recorded upon the credit tag. The credit tag being a carbon copy of the advice, exact information is always available as to what has been advised to the depositor. It is natural for any clerk to give clearer and more complete information, when he writes the facts only once and does not have to duplicate the information on differently arranged forms. Inquiries from depositors are, therefore, more readily answered than when separate forms were used and are materially reduced in number.

City Cash Collections

No small part of the work of the Collection teller consists in the handling of City Cash Collections. These cash items on local firms are recorded by the Collection teller on numbered forms in duplicate. The originals of these forms constitute a City Cash Collections Register; the duplicates are used as collection tags attached to the various items.

Credit tags are not made out when payment is received for these items. Record of the number and amount of each collection paid is made direct on the Collection teller's blotter under the heading "Credit City Cash Collections."

Incoming Collections

It is important that the Collection teller be able to quickly locate any item which he may hold for collection. A draft for $159.78, issued by the Meadville Wholesale Company on A. L. Moore Treasurer, forwarded from Meadville to Philadelphia and from Philadelphia to San Francisco for collection, is given collection number "14268" by the bank in Philadelphia and "46" by the San Francisco bank. The draft is presented for payment and notice left. A check is received from Jones Brothers in payment. A. L. Moore is treasurer of Jones Brothers but the bank has no knowledge of this and is unable to locate the collection without first being given the collection number, the name of the drawee or the name of the Philadelphia bank or, for a note, the name of the maker or the due date. Different facts are given for different classes of items and this necessitates different methods of filing and of recording. For drafts with documents or for notes, the incoming collection letters should be sent to the general letter files at once. For drafts which are to be held for collection only a few days, the incoming letters may be held and not sent to the general letter files while the collections are outstanding.

Incoming Notes for Collection

Notes are usually received for collection before they are due. A few days before their due date, notice that the notes are held by the bank for collection must be sent to the makers. On the due date, some of the notes, if not paid, must

be given to a notary for protest. It is, therefore, important that a record of them be kept under the headings of the different due dates. For this record, Collection tellers usually prefer that there be only one page for each day's notes. These pages may be in a bound book or in loose leaf form. This is called the "In-Collection Note Tickler" or the "Collection Teller's Daily Bill Book." Whether it is a vital record of the Collection department or merely an auxiliary memorandum depends on what other records of the items are kept by the Collection teller.

In-Collections Register

The In-Collections Register may well be loose leaf in form and the records filed in a box or in a binder according to their shape and size. In registering an item on one of these sheets, carbon may be used and other records made.

In The First National Bank of San Francisco, a large proportion of the incoming notes and bill-of-lading drafts collected must be remitted for by bank draft. An application for exchange must be filled in and given to the Exchange teller for each such collection paid. The In-Collections Register consists of forms on slips of paper of the same size and shape as those used for applications for exchange (four and one-half inches by five and one-half inches). Each form is printed with a collection number and blanks calling for a full record of the facts regarding one collection. The forms are filed by the collection numbers in a card file. Separate files are used for the outstanding and for the closed records. Forms of different color (with a slight variation in the printing), to be used as applications for exchange when they receive the collection teller's "Paid" stamp, are padded by the printer alternately with these forms and bear the same collection numbers. The In-Collections Register and the application for exchange are filled in at one time by use of carbon.

Payment for collections is frequently received at the last moment before the close of banking hours. The Collection teller has no time at that moment to make out an application for exchange. It is very convenient to have one already made out. He accepts payment for and surrenders the note. He

then takes the original form and the duplicate, stamps both "Paid", places the original on a spindle or in a tray for filing and gives the payment and the application for exchange to an assistant, to be recorded through his blotter.

All notes and all bill-of-lading drafts are recorded on these forms and the collection letters received with them are sent to the general files after the collection numbers have been recorded upon them. Inquiries from depositors can be answered by referring to these letters for the collection numbers.

The original forms of this In-Collections Register are filed by collection numbers. The collections, until paid, are filed alphabetically by name of payor and the applications for exchange by due dates; this order of filing is sometimes reversed for notes, the notes being filed by due dates and the applications by payor.

Any item can be readily found provided either the name of the payor, the name of the depositor, the due date or the collection number be given.

Bill-of-Lading Drafts

In recording drafts with documents attached, a "tickler date", to indicate when the goods covered by the Bill of Lading are expected to arrive, is recorded instead of the due date. This date can be altered from time to time when it is found that a shipment has been delayed or that there is other cause for delay in payment of the draft. The bank from which the draft was received should be advised of non-payment. Bills of lading should never be returned on account of non-payment of the attached drafts until the return is ordered by the bank from which received for collection, as the time lost in reforwarding the documents may cause damage to a shipment and loss to the bank.

Other Collections

Having disposed of all notes and all bill-of-lading drafts received, the bulk of the collections have yet to be cared for. Many items are received each day which are paid upon presentation and then either remitted for or credited to the

depositors' accounts. Many items are received with instructions not to protest for non-payment and which, dishonored upon presentation to the drawees, are at once returned to the senders. For many others, notices are mailed to the drawees or presentation is made and notices are left. These drafts are, as a rule, held for from three to five days and, if not paid, are then returned to the senders.

There is seldom any inquiry from the senders regarding such collections until after the collections have been disposed of. No permanent record of them need be kept at the Collection desk, the Collection teller's "Paid" or "Returned Unpaid" stamp on the incoming letters being sufficient record.

Temporary record of these items is conveniently kept by use of a blue pencil and a clamp file. The collection teller marks in blue pencil, upon the upper right hand corner of every such letter, consecutive collection numbers, commencing each day with number "11". Upon the upper right hand corner of every item received with the letter, he places the same collection number. Numbers "1" to "10" are used for items subject to protest and for those which require telegraphic advice of payment. The messengers record these various numbers from the items into their collection books and on the notices which are presented or mailed to the drawees and use them for identification in reporting payments.

An item for $100, bearing the number "16", is returned unpaid. The Collection teller removes from his clamp file letter number "16", which he finds to call for one draft of $100; he imprints his "Returned Unpaid" stamp upon the letter and gives the letter and the dishonored draft to an assistant, by whom the draft is returned to the depositor and the letter initialed and sent to the general files. Letters containing more than one item are returned to the clamp file so long as they contain any unsettled items.

The Collection teller receives from one of the messengers $55.10 in payment for collection "78". He extracts from his clamp file the letter which was numbered "78" and finds that the letter calls for a $55 draft. A blue pencil memorandum was made by him on the letter when it was received, to the

effect that 10c was to be collected for exchange. He now stamps the letter "Paid", makes out an application for a $55 draft in payment for the collection and records on the application the fact that 10c is to be credited to "Collection Desk Exchange". He gives the $55.10 and the application for exchange to an assistant for record in the blotter.

Collections Outstanding Only a Few Days

At the close of banking hours, the Collection teller has in his possession those collections for which notices have been left by messenger or mailed but which have not been paid and payment of which has not been refused. He also has on his clamp file the letters which were received with these collections. He arranges the collections in numerical order and compares them with the letters, to ascertain that no items have been lost. He removes the letters from the clamp file and files them in numerical order, with other outstanding letters received during the previous few days, in an "Outstanding Letters" file. He places the drafts in alphabetical order, each day's drafts being kept separate. The teller never has at his desk at one time more than five days' drafts, as he each day returns to the senders all drafts from the five-day file and all drafts from the three-day file except those drawn at one or three days sight and those for which notices were mailed to the drawees. Drafts paid for or ordered returned during these few days are removed from the outstanding file, together with the corresponding collection letters, and are handled in the same manner as though they had been settled for on the date upon which they were received in the bank. If desired, the filing arrangement can be reversed: all drafts placed alphabetically in one file instead of in five and the outstanding letters filed numerically in five separate sets of letters instead of in one.

During the few days such a collection is outstanding, it can be readily located by collection number or by name of drawee. After the transaction is closed, the record is available from the general letter files under the name of the bank or firm from which the collection was received.

Collection Desk Drafts

Coin or currency should never be exchanged between tellers. Coin or currency transactions within the bank should be only with the Vault teller. The Collection teller must buy drafts from the Exchange teller. He must make payment to the Note teller for collections which he has made for the Note teller. All checks, coin and currency received by the Collection teller should be recorded in his own blotter, so that he can be held responsible for all funds which he has received. Arrangements must be made whereby these transfers to the Exchange teller and to the Note teller can be made without the use of coin or currency. The headings "Debit Collection Desk Drafts" on the credit side of the Exchange teller's blotter and "Credit Collection Desk Drafts" on the debit side of the Collection teller's blotter represent such an arrangement. The Exchange teller lists on his blotter under this heading all of the Collection teller's applications for exchange. With this exception, he handles them in the same manner as those from other sources. The Collection teller, before giving them to the Exchange teller, lists them on the debit side of his blotter under the heading "Credit Collection Desk Drafts". The Collection teller's applications for exchange should be on paper of a distinctive color.

The General Balance Sheet will never show a balance under the heading "Collection Desk Drafts" because each day's debits will always offset the credits for the same day. By carrying these headings on the recapitulation of the tellers' blotters below the subtotals "Total Deposits" and "Total Checks", the transactions between tellers may be entirely ignored in making up the daily records in the General Cash Book.

Note Desk Collections

The method of transferring funds to the Note teller in payment for collections made for him will vary according to the number of transfers. If there are only a few such transfers, they may be effected by the issuance of Cashier's Checks payable to the Note teller. It may be preferred that any amounts collected be credited by the Collection teller direct to Bills Receivable. If there are many collections for the Note teller, an account

"Note Desk Collections" similar to the account "Collection Desk Drafts" might be used.

Collection Desk Exchange

The bank's records should clearly show the Collection department's net loss or profit, the Exchange department's net profit or loss, the net cost of the Transit department and similar facts. To make possible this segregation of losses and profits, the Collection teller must pay the Exchange teller full premium value for all exchange purchased. This payment may be in the form in a daily credit to Domestic Exchange through the Collection teller's blotter. All funds received by the Collection teller in payment for collection charges or exchange premiums should be listed by him on the debit side of his blotter under the heading "Collection Desk Exchange". Transit checks drawn on cities with which accounts are carried for exchange purposes and debits or credits to Exchange banks should be listed on the Collection teller's blotter under the usual headings but should in each case be under a special sub-heading "Exchange Banks". From the totals under these sub-headings, the amount of Domestic Exchange due to the Exchange department for drafts purchased during the day can be readily computed. The total under the heading "Collection Desk Exchange" is then subdivided and carried to the recapitulation of the Collection teller's blotter in two divisions, "Credit Domestic Exchange" and "Credit Collection Desk Exchange."

If the total on the debit side of the blotter under the "Exchange Banks" sub-division of "Individual Credits" is $1000 and the total under the heading "Credit Collection Desk Drafts" is $22,000 and, on the credit side of the blotter, the "Exchange Banks" subdivision of "Debit Transit Account" shows a total of $3000, then the difference between the total of the first two amounts and the third amount is the net exchange purchased during the day, $20,000. The current rates for exchange are say, 3c. for Mail and 5c for Telegraphic. For the $20,000 of exchange purchased, the Collection teller must pay $6. Under the "Exchange Banks" subdivision of "Individual Checks", it is found that $4000 has been debited

to Exchange banks. This $4000 is better than telegraphic exchange because it has been earning interest while credit advices from the Exchange banks were in the mails. At the telegraphic rate of exchange, it has a premium value of $2. This leaves a balance to be credited "Domestic Exchange" of $4.

Collection Teller's Blotter

Credits and debits on the Collection teller's blotter may be written up and balanced, a portion ("write-up") at a time, in the same manner that deposits and checks are written and proved for the Receiving teller. The items are more varied, however, and there are not so many of them. It is usually preferred to record them a few at a time, the listing of each set of items being proved before the items are sent out.

The blotter will show results about as follows:

Recapitulation of Collection Teller's Blotter

Dr.		Cr.	
Credit Accounts as Follows:		**Debit Accounts as Follows:**	
General Ledger Credits	$ 4,930	General Ledger Checks	$ 15,000
Domestic Exchange	4	Transit Account	3,500
Collection Desk Exchange	16		
City Cash Collections	73,000	City Cash Collections	none
Total General Ledger	$ 77,950	Total General Ledger	$ 18,500
Individual Deposits	50,000	Individual Checks	20,000
Total Deposits	$127,950	Total Checks	$ 38,500
Collection Desk Drafts	22,000	A. M. Clearing	10,000
		P. M. Clearing	100,000
Coin and Currency from Vault	50	Coin and Currency to Vault	1,500
	$150,000		$150,000

CHAPTER XIV

THE NOTE TELLER

The Note teller has less direct communication with the other tellers, the bookkeepers, the Clearing House department and the Transit department than has any other teller. The number of items which reach these departments from the Note teller is comparatively small. As long as the items reach the departments within a reasonable time after the close of banking hours and as long as the blotter is ready in time for the final summary of tellers' blotters, the other clerks and tellers have little occasion for dealings with the Note teller.

On the other hand, the Note teller is in constant communication with the bank's officers. Every transaction which he handles passes under their direct observation. It is through the Note department that the bulk of the bank's income is produced. A small portion is earned by the Exchange department; the Collection department sometimes charges heavily enough to cover its actual costs; the Transit department is a necessary evil and a source of much loss; the Paying teller is a necessary adjunct to deposit accounts; the Receiving and In-Mail tellers must take in the deposits before the funds can be loaned; but all of these departments point to the Note teller. The duty of all of them is to perform those necessary functions which shall induce depositors to deposit and to leave with the bank those funds which are later loaned through the Note department.

Notes and Discounts

Loans are made in different forms. A depositor holding an out-of-town check obtains the funds from the Receiving teller through Transit Account before the check is paid. The operation is so simple that he seldom realizes he is obtaining

a loan. Out-of-town drafts and accepted drafts may be handled in the same manner but are usually recognized as loans and the funds advanced by the Note teller. Whatever form a loan takes it must be that of a negotiable instrument as defined in the Negotiable Instruments Act. "It must be in writing and signed by the maker or drawer; must contain an unconditional promise or order to pay a sum certain in money; must be payable on demand, or at a fixed or determinable future time; must be payable to order or to bearer; and, where the instrument is addressed to a drawee, he must be named or otherwise indicated therein with reasonable certainty."

All loans through the Note teller may be debited to one General Ledger account entitled "Bills Receivable" or "Loans and Discounts". For convenience in auditing the interest on these loans, it may be desirable to divide them on the ledger into "time bills" and "demand bills". A division made in reports to the Government is "one-name paper" and "two-name paper" but such a division on the General books is not necessary. Still another division is into "secured loans" and "unsecured loans". Let us assume that all loans are carried in the one account, "Bills Receivable."

A Cashier's Check should be issued for each loan made. In exchange for a $1,000 note which one of the officers has marked "O.K" and initialed, the Note teller issues a Cashier's Check for $1000. He debits "Bills Receivable" and credits "Cashier's Checks" this amount. An acceptance for $2500, bearing 6% interest, payable in sixty days, is presented for discount. Deducting $25 for interest, the Note teller issues a Cashier's Check for $2475. He debits "Bills Receivable" $2500, credits "Cashier's Checks" $2475 and credits the remaining $25 to "Interest on Loanable Funds."

Discount Blotter

A record of loans made must be kept and its total each day debited to Bills Receivable. A Note Tickler must be kept with all time loans posted under their due dates. The "Discount Blotter", a bound book with one double-page opening for each day's record, serves both these purposes and also that of blotter for the Note teller. Loans made are recorded

on the credit side. All loans are posted from this record to the Note ledger. Time loans are also posted forward to the debit side of the Discount Blotter on the pages for the due dates. All items coming due on one date are thus listed on one page, the Discount Blotter serving as a Note Tickler. The Note teller files under their due dates those notes and acceptances which represent time loans. He extracts them from his files on the due date and compares them with the Note Tickler, collecting the items and using the Note Tickler as a list of time loans paid. Demand loans paid during the day are listed immediately below the time loans. At the end of the day, a footing is obtained showing total loans paid and this amount is credited Bills Receivable. The Note teller records all cash transactions in the Discount Blotter: loans paid, interest received, total Cashier's Checks issued et cetera, on the debit side; loans made, checks, "Coin and Currency to Vault" et cetera, on the credit side.

Loose Leaf Records

The record of loans made need not be kept in the Discount Blotter. It may be in a separate bound book or it may be on loose leaf sheets. If a sheet were lost, the record could be replaced by reference to the Cashier's Checks and to the teller's blotter. Labor can be saved by incorporating the record of loans made in the Cashier's Checks Register, which consists of loose leaf sheets. These sheets are filed with the auditors as soon as filled in and there would be little danger of a sheet being lost or altered. It is better, however, to record the notes after the loans have been made, so as to ensure the receipt of the note or accepted draft for each loan and to ensure a correct record of the items.

The Note Tickler need not be incorporated in the Discount Blotter. The sheets can be filed in a loose leaf binder, one sheet for each day's record. The sheets will still be used as a record of loans paid, only the daily totals being carried to the teller's blotter. Loans, in some banks, are made by the Note and Discount tellers and collected by the Collection teller. With such an arrangement, the sheet from the Note Tickler could, each day, be transferred to the Collection teller, together with the notes then due, and possibly used

by the Collection teller and the General bookkeeper as a deposit tag from which to credit the payments to Bills Receivable. If any sheet were lost or altered, the facts to replace the day's record could be obtained from the record of loans made or from the Discount Ledger or, partially, from the Cashier's Checks or the teller's blotter.

Note Teller's Blotter

The Note teller must list his checks on a blotter sheet such as is used by the other tellers and must fill in the recapitulation form in the lower corner of the sheet. This sheet is needed to preserve the uniformity of the tellers' blotters and in making up the Summary of All Tellers' Blotters. Retention of the Bound Discount Blotter means double listing of the checks; on the other hand, comparison of the two sets of totals may facilitate the balancing of the blotters. The figures in the recapitulation form will be partially a copy from the Discount Blotter, whereas all of the other tellers' blotters are original records. Use of the Discount Blotter can be discontinued if the record of loans made and the record of loans paid are kept on separate forms. The blotter, when completed, will show facts about as follows:

Recapitulation of Note Teller's Blotter

Dr.		Cr.	
Credit Accounts as Follows:		**Debit Accounts as Follows:**	
		General Ledger Debits -	$ 5,000
Bills Receivable (*) -	$115,000	Bills Receivable - - -	200,000
Cashier's Checks - -	181,000	Transit Account - -	1,500
Interest on Loanable Funds	3,970		
Total General Ledger	$299,970	Total General Ledger	$206,500
		Individual Checks - -	85,000
Total Deposits - -	$299,970	Total Checks - - -	$291,500
		A. M. Clearing - -	750
		P. M. Clearing - -	7,500
Coin and Currency from Vault	30	Coin and Currency to Vault	250
	$300,000		$300,000

(*)*The credit to Bills Receivable is listed as a separate item when the Discount Blotter is used. If the Note Tickler sheet be used as a credit tag, the amount will be listed as a credit to General Ledger Deposits.*

Note Ledger

Bound books were at one time considered essential for Note Ledgers. Experience has shown that loose leaf or card ledgers are entirely safe and much more convenient. There is no necessity for repeated opening of new ledgers; the ledgers do not contain dead accounts; accounts can be kept in alphabetical order. The difference between loose leaf ledgers and card ledgers is one of convenience in handling. If frequent entries are to be made in many different accounts, the loose-leaf book is more convenient but, if only an occasional account is to be referred to, the cards are preferable.

There is little uniformity among banks in the ledger pages. Each card or page should provide for a record of the essential facts regarding one borrower's loan account: the date and amount of increase or decrease, the balance, the amount for which liable as endorser and any change in this liability, the interest rate, security et cetera. Different forms or different sections of the ledger may be used to separate time and demand loans.

Securities

A record must be kept of stocks, bonds and other securities held as collateral. The work of keeping this record and the custody of the securities may be assigned to the Note teller or to a Securities teller or may be under direct supervision of an officer of the bank.

A "Collateral Securities Ledger" must be kept. This ledger should have one page or card for each account and this page or card should provide for a record of the date received, the date returned, the name, the number, the par value and the date of maturity of each bond received by the bank as security or for safe keeping. The bond number is important for identification by the auditor or in case of loss. Each stock certificate should be recorded in the ledger with the date received, the date returned, the number of the certificate, the number of shares, the name of the corporation and possibly the face value and the market value.

Various arrangements have been made for the safe custody of securities. None seem yet to have proved invulnerable. The bank owes it to its employees to remove all unnecessary temptations; every possible safeguard should be placed around the handling of the money, of the credits and of the securities. Receipts should be issued for all securities taken in and carbon copies of these receipts retained. The duplicate receipts should bear consecutive numbers when obtained from the printers, in order that every receipt form may be accounted for. The original receipts should be recovered from the borrowers and the carbon copies cancelled when the securities are surrendered. The copies of outstanding receipts will then at all times tally with the securities held by the bank.

As an additional safeguard "double custody" may be provided, in which case the securities are kept in a safe with two combinations. For all securities taken from or placed in the vault, a record must be signed by the two employees opening the combinations, showing that one of them made a certain change in the contents of the safe and that the other witnessed the transaction. For further protection, the auditors may each day compare the entries in this book with the stubs in the receipt book.

Coupon Tickler

A tickler of some sort must be kept to indicate the due dates of coupons, the expiration dates of insurance policies and like information, so that each requirement shall have attention at the proper time. For this purpose a card file with cards appropriately ruled and printed is very convenient.

CHAPTER XV

THE GENERAL BOOKS

Every bank must keep records showing the fluctuations in its resources and liabilities. Resources may consist of: "Bills Receivable" or "Loans and Discounts", "Coin and Currency in Vault", "Bonds Owned", "Overdrafts", "Due from Banks", "Transit Account" et cetera. Liabilities may consist of: "Capital", "Surplus Fund", "Profit and Loss", "Bank Deposits", "General Deposits", "Certified Checks", "Cashier's Checks", "Certificates of Deposit" et cetera. The total resources must each day balance with the total liabilities. The division of the books in which these accounts are kept is called the "General Ledger".

Character of General Ledger Entries

Some of the transactions in these accounts reach the General books in the form of office credits, some in the form of checks or drafts signed by the bank's officers, some in the form of expense vouchers. Others, such as debits and credits to "Bills Receivable" and credits to "City Cash Collections" and to some of the sub-divisions of "Profit and Loss Account", are carried to the General books direct from the Summary of All Tellers' Blotters. The totals for credits to "Individual Checks", "City Cash Collections", "Transit Account", "A. M. Clearing", "P. M. Clearing" and "Coin and Currency to Vault" are all conveniently located on the tellers' blotters but these entries should not be made in the General books from the blotters.

Departments' Totals Verified to Tellers' Totals

After the original items have left the tellers, independent records of them are made by the various departments:

Interior Proving, Collection, Transit, Clearing House and Vault. The records for each department must each day be totaled and the totals balanced with the totals on the tellers' blotters. Someone from each department should be required to each day initial his department's total on the Summary of All Tellers' Blotters to indicate that he has found the totals to agree. The General bookkeeper should be required to make his entries from the departments' records rather than from the tellers' blotters. The balancing of the departments with the tellers is all important. Systems under which one department or one clerk checks the work of another are not complete until the checking is compulsory. The most effective means for obtaining accuracy is to provide that inaccuracy must throw someone out of balance. The tellers' work is accurate because their blotters must balance. The depositors' balances in the bookkeepers' ledgers are accurate because the ledgers must balance. Requiring the General bookkeeper to make his entries in the General books *from the departments' records* makes the balancing of the departments' records with the tellers' blotters compulsory. Any inaccuracy in the totals will throw the General books out of balance. *The departments must balance with the tellers before the General books can balance.* Carelessness in any department in the comparison of its totals with the tellers' totals cannot result in the records being allowed to remain out of balance.

The requirement is made practicable through the convenient manner in which the tellers' blotters are consolidated. If the General bookkeeper's records are thrown out of balance through inaccuracy in one of these departments, he can locate the difference in a moment by reference to the tellers' blotters. The Summary of All Tellers' Blotters, attached to and a part of the volume of tellers' blotters for the day, shows one total each for Individual Deposits, Individual Checks, City Cash Collections, Transit Account, A. M. Clearing, P. M. Clearing, Coin and Currency to Vault, and Coin and Currency from Vault. The Summary is balanced before it is delivered to the General bookkeeper. In addition to totals to which each department must balance, the Summary contains

debit and credit totals to which the General Cash Book must balance and subtotals which may be used in obtaining a preliminary balance of the General Cash Book before the bookkeepers' figures are received. The General bookkeeper is not obliged to assemble the tellers' figures or to locate errors which the tellers have overlooked. Before the blotters are delivered to the General bookkeeper, the figures from the various tellers are consolidated by the tellers and proved and the blotters stapled together.

Bookkeepers' Reports of Daily Totals

The General bookkeeper is usually placed in charge of the Bookkeeping department because he must be an experienced accountant and because, while all other departments consolidate their own figures on their own records, he usually consolidates the bookkeepers' figures. Each bookkeeper initials the Interior Proving department's records showing his individual totals for checks paid and for deposits. The recapitulations of these totals on the Interior Proving department's records may be used by the General bookkeeper instead of requiring a separate consolidation of these figures by the bookkeepers.

Total Credit Balances and total Overdrafts are consolidated under the General bookkeeper's supervision. When there are several bookkeepers, best results are obtained by requiring all the bookkeepers to report these figures each day on one form. This form may be headed "Bookkeepers' Daily Totals" and should provide separate columns for "Net Decrease in Balances", "Net Increase in Balances", "Total Overdrafts" and "Total Credit Balances", together with a horizontal line for the figures of each bookkeeper, the lines numbered to correspond with the bookkeepers' ledger numbers. After each bookkeeper's figures have been placed on the form, they should be verified by another bookkeeper and initialed. The totals of these figures can be proved in a few moments. The difference between the footings of the first two columns should equal the difference between total checks and total deposits as shown by the Interior Proving department's records. The difference between "Total Credit

Balances" and "Total Overdrafts" of the current day and of the previous day should also equal the difference between total checks and total deposits. Provision for these comparisons should be made on the first portion of the form. Separate forms for the reports of the Bank bookkeepers and of the Individual bookkeepers will result in separate totals for "Bank Deposits" and for "Individual Deposits".

Short and Over Book

When no differences appear in a bank's records, an Auditing department should be created to learn by what methods the differences are covered up. The same methods might be used to cover defalcations. It is no crime to have differences but covering them up should be treated as such. In addition to unlocatable differences in the cash and differences caused by failure to pay or receive odd cents, there are temporary bookkeeping differences. The bank closes at 3 p. m. One of the tellers is still out of balance at 4 p. m. He should close up his blotter showing the difference, so as not to detain the remainder of the force. He should, if possible, locate the difference later and correct it the following day by use of properly signed vouchers. In like manner, differences in the various departments should not be allowed to unnecessarily delay the General bookkeeper. The records for Transit Account, for City Cash Collections, for P. M. Clearing et cetera should be closed and submitted to him not later than 5 p. m. Any differences not located by that time should be located later and corrected by debit and credit through the tellers' blotters.

All differences must be recorded by the General bookkeeper in a "Short and Over Book". If desired, the net shorts and the net overs for a given period may be shown for each teller and for each department, together with the total net shorts and net overs for the period. Shorts and overs should be kept separate. One side of the book may be devoted to short-cash and the other side to over-cash. Amounts over to offset previous shortages are listed in red ink on the "Short-Cash" side and, when carrying the amounts forward, are subtracted from the total shorts. Amounts short to offset previous overs are treated in like manner on

the "Over-Cash" side. On each side of the book a column is provided for each teller and for each department, together with a column for the date and one for description of differences. One day's work may occupy one horizontal line or it may require a dozen. One page will contain the record for several days. The final net totals must each day be carried to the General Balance Sheet as "Short-Cash" or as "Over-Cash".

Daily Reports to Officers*

Reports should be submitted to the officers of the bank each morning, showing, in simple and complete form, all vital facts regarding the bank's condition. A loose leaf book about fifteen inches long by twelve inches wide is very useful for this purpose. There can be several divisions, separated by guides, each division containing one page for each day's report. One division will call for a conveniently arranged statement of resources and liabilities together with information as to excess legal reserve and excess loanable funds. One division may show all new, re-opened and closed accounts, another all overdrafts, another all transactions in and balances for accounts of Exchange Banks. One section may contain graphic charts with the figures for several years on one sheet, showing the fluctuations in deposits, in excess legal reserve, in excess loanable funds, in loans and discounts et cetera. Charts may show the average daily number of items of each kind handled from month to month, the fluctuations in Expense Account, in interest rates, in income and various other facts of interest.

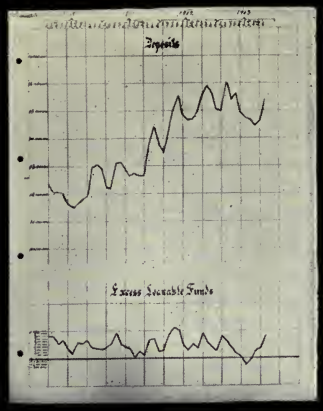
The report of resources and liabilities is made by the General bookkeeper. It may be copied from the General Balance Sheet but arranged in different order or it may be one of his original records.

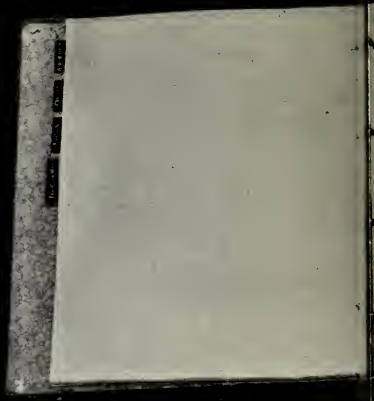
Methods for General Books

For the Individual bookkeepers and Bank bookkeepers, the Baker-Vawter system, with one loose-leaf ledger page for each account, is superior to the old-time bound cash book and balance sheet. It would appear that, for similar

**See illustration on following page.*

reasons, loose-leaf methods should be best for the General books: adding machine lists of each day's debits and credits to agree with the tellers' totals; the ledger to be the book of original entry and the officers' report of resources and liabilities to be made from the ledger and to serve as a daily proof of the ledger. The writer's experience has been confined to bound records for the General books. The tendency among banks is to be conservative. The old-time General books consist of a daily Cash Book, a Ledger and a Balance Sheet. These are standard records. Everybody understands them. Other departments may experiment; records in other departments may at times become confused but it must always be possible to go back to the General books and to find these fundamental records intact. They form the foundation or groundwork for all other records. For this reason, little progress has been made in the use of loose leaf records for the General books. If a loose leaf ledger as a book of original entry is too radical for the General books, possibly a bound ledger for the same purpose might be adopted. It is the writer's belief that the present cash book and balance sheet are both superfluous records and that, eventually, their use will be abandoned.





The First National Bank of San Fran

ASSETS

STOCKS, BONDS,	$ 266 000
BILLS RECEIVABLE	$12,704 959
OVERDRAFTS	$ 3.550
U. S. 2% BONDS AT PAR TO SECURE CIRCULATION	$ 2.000.000

U. S. Bonds to secure U. S. Deposits	$ 150,000.00
U. S. Bonds to secure Deposit Funds P. O. Money Order Clerk	$ 20,000.00
Bonds to secure State Deposits	$ 177,300.00
Bonds to secure City Deposits	$ 64,000.00
TOTAL BONDS TO SECURE DEPOSITS	$ 411.000

Foreign Banks	$ 615,467 67
Pacific Coast Banks	$ 10,664 51
Exchange Banks	$ 624,805 77
Transit Account	$ 617,416.51
	$1,868,354.46
Reserve Agents	$1,446,614.40
TOTAL DUE FROM BANKS AND BANKERS	$3314,968.86

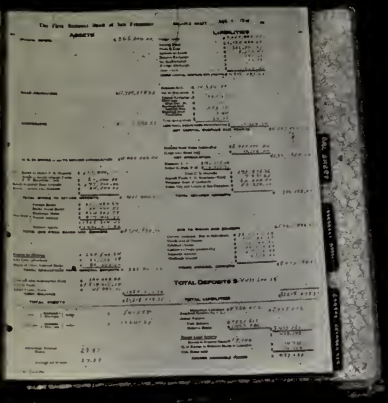
Checks for Clearing	$ 220,540 60
City Cash Collections	$ 22,796 58
Notes of Other National Banks	$ 88,605 00
TOTAL DEDUCTIONS FROM GENERAL DEPOSITS	$ 331 942
Five per cent Redemption Fund	$ 100.000.00
Coin in Vault	$1,839,665.30
Legal Tender Notes	$ 45 991.00
CASH BALANCE	$1985.656
TOTAL ASSETS	$21,218 075

Loans { ~~Increase~~ / Decrease } today	$ 541.57
Deposits { ~~Increase~~ / Decrease } today	$ 13,641.29

Percentage Reserve Today	29.87
Average for 30 days	27.59

1908 12 M-12-08

DAILY REPORTS TO OFFICERS



BALANCE SHEET AUG 9 - 1913 191

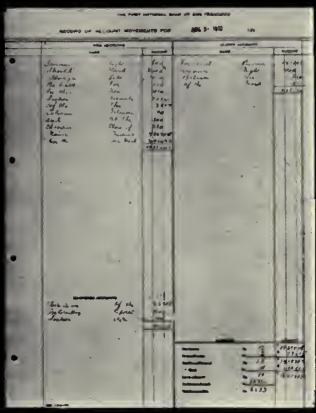
LIABILITIES

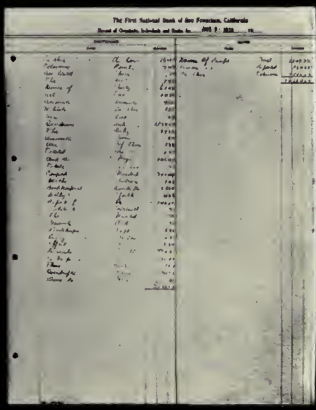
Capital Stock	$3,000,000.00
Surplus Fund	$1,500,000.00
Profit & Loss	$ 302,777.61
Interest on Loans	$ 4,153.05
Profit on Exchange	$ 248.35
Loss on Exchange	$ 61.87
Foreign Exchange	$
[illegible]	$ 410.20
GROSS CAPITAL, SURPLUS AND PROFITS	$4,812,493.37
Expense Accts	$ 14,654.85
Int. to Depositors	$
Transit Exchange	$ 364.32
Short cash	
Since Dec. 31,	$
Earnings from	
Secured Dep.	$ 250.00
Earnings from	
Circulation	$ 2.40
Foreign Exchange	$ 37.76
LESS TOTAL DEDUCTIONS FROM PROFITS	$ 15309.30
NET CAPITAL, SURPLUS AND PROFITS	$4,797,184.07

National Bank Notes outstanding	$2,000,000.00
Less) Own Notes held	$ 14,750.00
NET CIRCULATION	$1,985,250.00
Treasurer U.S.	$161,356.04
Arthur G. Fisk, P. M.	$ 10,420.32
Total U S Deposits	$ 171,976.36
Deposit Funds F. D. Monckton, Clerk	$ 7,961.65
Treasurer State of California	$ 160,000.00
Treas. City and County of San Francisco	$ 56,250.00
	$
TOTAL SECURED DEPOSITS	$ 396,188.01

DUE TO BANKS AND BANKERS	$5965,886.67
Current Accounts Due to Individuals	$7911,200.77
Certificates of Deposit	$ 115,765.25
Certified Checks	$ 48,547.81
Cashier's Checks Outstanding	$ 39,113.38
Suspense Account	$ 51,247.65
Dividends Unpaid	$ 3,655.00
	$
GROSS GENERAL DEPOSITS	$8073,569.60
TOTAL DEPOSITS	**$14,435,642.28**
TOTAL LIABILITIES	$21,215,075.35

Immediate Liabilities	$11,820.05	
Required Reserve (15 I. L.)		$ 2,255,013.
Actual Reserve		
Cash Balance	$ 4985.15	
Reserve Banks	$ 5427.59	
		$ 3,413,161.
Excess Legal Reserve		$ 458,149.
Excess in Reserve Banks	$ 19,109.	
½ of Excess in Reserve Banks is Loanable		$ 14,331.
Own Notes held		$ 14,750.
EXCESS LOANABLE FUNDS		$ 487,231.





DAILY REPORTS TO THE OFFICERS, SHOWING IN SIMPLE AND COMPLETE FORM ALL VITAL FACTS REGARDING THE BANK'S CONDITION, ARE DESIRABLE. LOOSE-LEAF SHEETS ARE CONVENIENT FOR THIS PURPOSE. THE BANK'S RECORDS SHOULD MAKE SUCH FACTS READILY AVAILABLE.

APPENDIX

GENERAL INSTRUCTIONS TO BOOKKEEPERS

A copy of the "General Instructions to Bookkeepers" used by The First National Bank of San Francisco is given below. At first glance it would appear rather severe to require strict adherence to such a mass of details. In practice, it is found that nothing more is required of the men than under oral instructions and that written instructions, furnishing a definite knowledge of what is expected, promote harmony and efficiency.

The Day's Work

actually commences at 8:30 a. m. with the writing up of statements but, from the viewpoint of work handled, may be considered as commencing after the completion of the statement work, at approximately 11 a. m.

Desk Arrangements

Each bookkeeper should keep on his desk at all times between 9 a. m. and 4 p. m. (Saturdays 1 p. m.) his current ledgers.

A case containing six pigeon holes has been placed on the desk of each bookkeeper for the exclusive purpose of enabling the bookkeepers to keep their checks and deposits at all times in plain view of themselves, of the Interior Proving department and of the General bookkeeper. The first three and last of these divisions *must be kept clear of all other articles* and *must be utilized for this purpose* and *this purpose only.*

The first three divisions in each case will be used for deposit tags and checks delivered by the Interior Proving department but not yet entered in the ledgers. The last division is to be used only for checks and deposits which have already been listed in the ledgers. Checks and deposits must be delivered only to these pigeon holes.

Checks and Deposits Originate

so far as bookkeepers are concerned, in the Interior Proving department. Each bookkeeper must each day prove, in a manner indicated later, that the totals of checks and of deposits received by him during the day are equal in amount to the respective totals charged to him by the Interior Proving department.

The Ledgers: Alterations

The ledgers are books of original entry. No steel erasers, acids, or other similar implements must under any circumstances be used upon the ledgers. All records must remain as originally made, with the exception of a straight line drawn through incorrect amounts.

When the proof page in front of the ledger has been initialed by the bookkeeper to indicate that the previous day's work is in balance, all records to that point are closed and no changes of any kind may be made except by means of new entries through the tellers' blotters. Any such entries must receive the auditor's "O.K." before being completed. Exception to this rule will be made in the case of an account name which has been carried forward incorrectly by the bookkeeper. Such name must be corrected and the "O.K." of an auditor at the same time obtained, no voucher being required.

Changes in account names for any other reason must each be made by a regular entry through a teller's blotter.

The Ledgers: Army Accounts

Army accounts, such as Company Fund, Hospital Fund, Troop Fund, etc., are treated by us in a manner similar to that in which corporation accounts are handled. The signing officers for such an account may change but the account remains the same. The name of the signing officer is carried on the ledger for general guidance but is not considered a part of the title of the account. It is merely a memorandum and may be changed from time to time under verbal instructions from the Paying teller.

Occasionally, the officer in charge of such an account wishes to transfer by check the balance of the old account to the control of another officer. In such a case the officer's name on the old account becomes a vital part of the title of the account and a new account must be opened with the new officer's name, the closing statement being rendered to the original signing officer for the original account.

The Ledgers: Checks in Detail

The Ledgers contain lists in detail of all checks and deposits, together with the daily balances to the credit of the various depositors. No balance need be carried forward except when there has been at least one change in the account during the day. Balances may be changed oftener when it will facilitate the work of the bookkeeper.

Separate sheets are used for each account and are numbered consecutively by the bookkeeper, each account commencing with sheet number "1".

The current ledger sheets for all closed accounts, together will all transferred sheets for the same accounts, must be filed with the auditors not later than 9 a. m. of the day following that in which the accounts are closed.

When an account is re-opened, the sheet upon which the account was originally carried must be obtained from the Auditing department and again used.

A description of every office debit or office credit must be placed in the ledger, in the "memo column", a separate line to be used for each item. Sufficient explanation must be given to clearly indicate the purpose of each entry.

The totals of all checks must be listed in the "total checks" columns of the ledgers; whenever there are two or more checks for one account, they should be listed first in the "checks in detail" columns and only the total carried forward to the "total checks" column. Whenever the amount of any check or checks is transferred to the "total checks" column, a horizontal line must be immediately drawn under the last amount in the "checks in detail" column. For purposes of identification, the date of the month should be placed before the first item each day in the "checks in detail" column. **"Check lists"** may be used, the checks for only one account being recorded on one check list sheet. When a large number of checks are paid against the account of one firm, one of these sheets is inserted in the adding machine and the checks are listed and totaled. The list is then dated and the total carried to the "total checks" column of the ledger, together with the letter "l" in the "memo" column to indicate that it represents a list. One "check list" sheet may be used for several days' work and is filed alphabetically with the transferred ledger sheets when filled or whenever the sheet to which the totals have been posted is transferred. The check-list sheets and the ledger sheets must be numbered consecutively. A number used for a check list sheet must not be duplicated on a ledger sheet for the same account.

A "plug" is a thin piece of cardboard three inches long and a half inch wide. Each bookkeeper has a supply of green and of pink "plugs". Their use is optional. It is recommended that in entering checks or deposits in the ledgers the balances be changed for all accounts in which changes are not expected to again occur during the day and that a green plug be placed in front of every such account. Pink plugs can be used to indicate any balances which are not yet changed. Throughout the day green plugs will gradually be substituted for pink ones and at the close of business only a few accounts will remain upon which the records have yet to be completed. Some bookkeepers ignore the colors, placing the plugs in the bottom part of the ledgers until the balances have been changed and then trans-

ferring them to the top. Balances must not be changed before 1:45 p. m. unless, besides doing this extension work, the C.H. checks are all entered in the ledger by 1.45 p. m. or have been paid for amounts, stop-payments et cetera by that time.*

Transferred Ledger Pages

Each bookkeeper is provided with a transfer binder for those ledger pages which have been entirely filled but for which acknowledgements of correctness have not yet been received.

Boxes are provided in which certain transferred pages are filed vertically. A ledger page is considered "dead" when it has been entirely filled and a statement covering all entries has been rendered and its final balance on the ledger page has been cross-checked by the auditors from the acknowledgment of correctness. All "dead" pages for any one account must be kept in a transfer box, but no page for any one account in the box should bear a date later than that of any page for the same account in the transfer binder.

Transferred ledger sheets must be kept in alphabetical order, the sheet for the newest date always being placed in front of the last previous sheet for the same account.

Records Temporarily Taken Away

A written memorandum must be left in place of any record temporarily taken from the Bookkeeping department, this memorandum to show by whom the record is taken and to describe the record; for a ledger page, the last previous balance should be noted.

Proof of Ledgers

The front page of every ledger is ruled to show for each day of one month, the total debits, total credits, net increase or decrease, net balances, total overdrafts and total credit balances. These figures are filled in each afternoon for the current day's business.

On each Tuesday and Friday morning, on the last day of each month and on the last night of each month, an adding machine list of the balances of all accounts must be made from the ledger, by each bookkeeper, except that this proof may be postponed one day on the second working day of each month. The total of this list should equal the total credit balances shown on the proof page in front of the ledger. If these amounts are not equal, the difference should be found and corrected as quickly as possible without, however, neglecting the current work. As soon as the ledger is in balance, the proof page in

**Time for reclamations at the Clearing House banks ends at 2.30 p. m. (Saturdays 1.00 p. m.)*

front of the book must be initialed opposite the amount which has been proved to be correct. The initial must not be placed there until the work is in balance.

New bookkeepers must prove their ledgers each day until specially authorized by the General bookkeeper to reduce the number of proofs.

Differences in the ledgers not discovered by 1 p. m. each day must be reported to the General bookkeeper and if not discovered by the following morning must be reported to the chief clerk before 12 o'clock noon.

It is suggested that each ledger be divided into from four to six sections and that the proof of the ledgers and the lists of checks and deposits be segregated into the same sections, thereby sub-dividing the work of looking for differences.

Adding Machines

On all records throughout the bank except bank balance sheets, the following adding machine rules must be strictly followed:

A star (*) must be printed at the beginning of each and every list.

The handle of the adding machine must never be moved while the carriage of the machine is thrown back. Every stroke of the machine must be given opportunity to show on the record, whether the operation is one of clearing the machine, or spacing, of subtracting an incorrect amount, of subtotaling or for any other purpose.

Each item listed must represent one individual amount.

When an incorrect amount has been listed and the error is immediately discovered, the simplest method of correction is to list and add with the machine the complement of the incorrect amount and then proceed by adding the correct amount as if no previous entries had been made.

All other changes must be made with pen and ink.

In altering an amount, a line must be drawn through the original figures and the new figures placed to the left of the column.

Each blotter sheet must bear the signature of the party writing out the lists.

Each bookkeeper should, before leaving the bank, see that the adding machine nearest his desk is covered, unless it is then in use.

Inactive Accounts

Every account in which there have been no transactions of any kind for two consecutive calendar months, is considered an "inactive" account. When two accounts, one active and the

other inactive, have similar titles which are in danger of being confused with each other or when an active and an inactive account are carried by the same depositor under slightly different titles, the ledger sheets for both accounts should be carried in the active portion of the ledger. The sheets for all other inactive accounts must be transferred *not later than the first day of each month* to the back of the current ledger and filed back of the guide "Inactive Accounts", alphabetically, together with the sheets for the other inactive accounts. The balances must first be listed upon one ledger page directly back of the "Inactive Accounts" guide and this page must show in detail the balances of all accounts carried among the "Inactives". This ledger page is to be used in the ledger proof as if it represented one depositor's account. It is headed "Inactive Accounts (bookkeeper's subdivision)".

Inactive ledger pages must be removed to the active division of the ledger before any transactions are recorded on them.

In removing an inactive ledger page to the active division of the ledger, enter the fact of its removal upon the ledger page headed "Inactive Accounts...."; draw a line through the amount on the inactive list, placing the date of withdrawal opposite this line; then place the same date in the ledger date column; write the name of the account in the memo column and the amount of the balance in the total check column; after this, decrease the balance of "Inactive Accounts" an amount equal to that of the sheet withdrawn.

Checks

The Paying tellers are responsible for the genuineness of the signatures of all checks. For all other points the bookkeepers are responsible. Checks paid through the Clearing House should be in the hands of the bookkeepers each day not later than 1 p. m. (Saturdays 12:15). All checks rejected should be handed to the Interior Proving department for reclamation not later than 1:45 p.m. (Saturdays 12:30). The only Clearing House checks which should be given to the Interior Proving department for reclamation later than 1:45 p.m. are those which it is necessary to reject in order to protect teller checks. All checks received by 1:30 p.m. must be paid by 2 p. m. Checks of any kind received by the bookkeepers prior to 1:30 p. m., if rejected, *must be rejected not later than 2 p. m.*

The listing of balances to prove the ledgers may be postponed if necessary until 2 p. m. but such a practice is undesirable because balances cannot be changed for current work until the proof has been made.

Overdrafts

The bookkeepers are held strictly accountable for all overdrafts. No check may be paid by the bookkeeper unless there are sufficient funds in the account to cover the amount of the check. Such items, if paid at all, must bear the "O.K." of one of the officers, of one of the Paying tellers or of the chief clerk.

When an account becomes overdrawn, the mild form overdraft notice is to be forwarded to the depositor on the same day that the overdraft occurs; if the overdraft is not covered within three days, the strong form overdraft notice is then to be forwarded, except in the case of out-of-town depositors. Time must be allowed for them to cover before the second notice is forwarded. A memorandum must be made in the ledger, showing the date of each notice.

Signatures

The bookkeepers must not charge any check to any account without specific written authority unless the signature to the check agrees absolutely with the name under which the account is carried on the books.

Letter of Credit Drafts

Any checks which bear the words "For account of Letter of Credit No.....", or words to that effect, must be marked by the Exchange department before being debited to any depositor's account.

Amounts to Agree

The amount written in the body of each check and the amount expressed in figures must agree with each other. If a protectograph is used, this amount must also correspond. Any variation in amounts must be referred to the Interior Proving department.

Date of Checks

Checks must not be paid if post-dated, that is, if they bear in the date line a future date.

Checks over one year old must be referred to the Auditing department and initialed by the auditor, a Paying teller, an officer or the chief clerk before being paid.

Stop-Payment

Each bookkeeper is provided with pennant shaped forms upon which to record requests made by depositors to stop payment on various checks. Each such request must be immediately recorded on one of these forms and the form ("stop-payment flag") inserted in the current ledger directly in front of the drawer's account, where it will remain either until the

estoppel is removed or until the account is closed or until the account is transferred to the inactive section of the ledger. In these two latter cases the stop-payment flag must be transferred with the ledger page and, to insure permanency of the record, stop-payment stickers showing the full facts must be placed upon the ledger pages. Checks upon which payment is stopped must not under any circumstances be paid.

Stop-payment instructions must be immediately reported upon by the bookkeeper and returned to the Paying teller. They must never be held at the bookkeeper's desk.

Duplicate Checks

Checks upon which the word "Duplicate" has been written must be refused by the bookkeepers and must not be paid at any time unless payment is ordered by an officer of the bank.

Checks on Other Banks

Care must be taken to see that all checks paid are drawn against the depositors' accounts *in this bank.* The names of any firms or individuals who also draw on other banks should be reported to the General bookkeeper, so that the names may be placed on the special instructions list.

Endorsements

Endorsements of all checks of $100 or over, of all checks drawn by insurance companies, of all Certified and Cashier's Checks and of all voucher checks together with receipts on all voucher checks must be carefully examined; all checks which are found not to bear correct endorsements must be refused payment.

The Clearing House stamp guarantees the genuineness of all endorsements but does not guarantee missing endorsements. To cover this point the following rules will apply:

1. An item paid to an individual in which merely the initials are given must bear the same initials but no harm is done if the Christian name for which an initial stands is used in the endorsement. If, however, the payee's Christian name is given, the initials cannot be substituted for the full name.

2. In the case of checks payable to "Mrs. .....": if the Christian name be given, there is no necessity for "Mrs." appearing on the back of the check; if, however, initials or a masculine name follow the word "Mrs.", the "Mrs." is necessary in order to show that the item has actually been endorsed by the payee.

3. With the above exceptions, items should be technically correct, that is, the words on the reverse side of the checks should agree in every particular with those on the face.

Cash to Employees

Checks or debits must not be cashed by employees, except at the Paying desk.

No checks payable to the bank and no debits may be cashed without the "O.K." of an officer.

Office Debits

Each bookkeeper will be held personally responsible to see that every office debit passing through his hands is properly signed.

Every debit involving the payment of coin,

Every debit to individuals, firms or corporations,

Every original debit to Suspense Account,

Every correcting entry,

must be signed by an officer of the bank. All correcting entries must also bear the "O.K." of a member of the Auditing department.

Debits to Suspense Account covering items previously credited Suspense Account by the Collection department,

Debits to banks covering amounts credited by them for collections originating in the Collection department, may be signed by the Collection teller.

Debits to banks and transit exchange covering the work of the In-Mail and Transit departments and *not* included in the above exceptions, may be signed by the Manager of the Transit and In-Mail departments.

Special form debits, adjusting errors of depositors in deposit tags of the same date, may be signed in each case by the Receiving teller with whom the deposit is made.

Checks Rejected

All bookkeepers must keep a daily record of all checks returned to the Interior Proving department for reclamation or for switching to another bookkeeper. This record must consist of the date and amount of each check, together with the name of the drawer and of the last endorser, and should be written on the reverse side of the Daily Check Proof.

After a check has been rejected for insufficient funds, it is sometimes discovered that, owing to an error or to delay in handling the deposit tags, the ledger did not at the time the check was rejected show the real facts and that the check should not have been rejected. Bookkeepers are instructed to at once report to the General bookkeeper the facts regarding *every* rejected check later found to be in funds. The General bookkeeper will, whenever desirable, take the necessary steps to have such checks again presented for payment.

Cancellation of Checks

All checks paid must be cut with the cancellation stamp by the bookkeeper through whose ledger they are handled, ***upon the date paid*** but not until all checks for the day have been paid.

Checks must not be paid which have been previously cancelled.

Responsibility

The statement men are only responsible for the points given under the above paragraphs headed, "Signatures", "Letter of Credit Drafts", "Duplicate Checks", "Checks on Other Banks", "Cash to Employees", "Office Debits" and "Cancellation of Checks".

Duplicate Checks

All requests for duplicate checks must be made to the endorsers or depositors in writing.

Checks to Be "Protected" and Dummy Certified Check Debits

A carbon copy of each certified check debit is forwarded by the Paying teller direct to the bookkeeper immediately upon certification of any check. This debit must be immediately entered in the ledger with pen and ink, together with the letters "c c" in the memo column to indicate that the debit represents a certified check. Checks will not be at any time certified unless the drawer has sufficient balance in the bank to cover. Owing to a deposit not having yet reached the bookkeeper, a certified debit may occasionally appear to overdraw an account. In such cases, the debit, after being entered in the ledger, must be fastened with a clip to the ledger page over the amount of the last balance, so that in reply to any inquiry as to the balance there will be no danger of the certified check not being protected. When such a debit does not appear to overdraw an account, the new balance must be immediately entered in the ledger.

In all other cases, when the bookkeeper receives instructions to protect a certain amount against any account, the slip of instructions must be fastened directly over the last balance but no entries made in the ledger. In reply to subsequent inquiries, information will be given as follows:

BALANCE - - - - - $.....

Less check to be protected - - - $.....

or

Less certified check to be protected - $.....

NET BALANCE - - - $.....

A. M. Deposits

All deposit tags received at the Receiving or Collection desks before 11 a.m. (Saturdays 10.30) must have on them the words "A. M. Clearing".*

Deposit to Own Credit to Be Questioned

It sometimes happens that a depositor who has two accounts with us draws a check endeavoring to transfer the funds from one account to the other but through some error credits the check to the account called for by the signature line of the check. To avoid errors from similar occurrences, the following rule is effective: in every case where a deposit is made consisting of a check against the account depositing or coin and such a check, the heading of the deposit tag must be initialed by the Receiving teller, the auditor or the chief clerk.

Date Deposit Tags

Deposit tags are sometimes accepted by the Receiving tellers without a date. Tellers will in every case endeavor to watch this and see that all tags are dated but any tags passing the tellers without dates must be dated by the bookkeepers.

Depositor's Name

The bookkeeper must not credit any deposit to any account without specific written authority unless the heading of the deposit—or credit—tag agrees absolutely with the name under which the account is carried on the books.

Check Proof

All checks are charged by the Interior Proving department direct to the various bookkeepers' subdivisions. Each bookkeeper must list his checks each afternoon on a Daily Check Proof sheet and balance with the figures of the Interior Proving department. Before going home, he must initial the Interior Proving department's Final Recapitulation Sheet, showing that his total agrees with theirs.

It is generally found advisable to list all checks received before 2 p.m. or 2:30 p.m. and prove them, so that at the close of the day's business there will remain a minimum number of checks to be listed and proved.

The total number of checks paid each day is counted by the bookkeeper by use of this proof-sheet and the number of checks recorded at the bottom of the proof-sheet.

Deposit Proof

All deposits are charged by the Interior Proving department direct to the various ledgers in the same manner as checks.

**This is for use of the analysis department.*

Each bookkeeper must list his deposits each day on his Daily Deposit Proof sheet and balance with the figures of the Interior Proving department. Before going home he must initial the Interior Proving department's Final Deposit Sheet, showing that his total agrees with theirs.

Daily Reports

A list is made each day by the bookkeeper showing the name of each new or re-opened account together with its balance at the close of the day's business, the name of each closed account with the previous day's balance and the name of each overdrawn account with the amount of the overdraft and the date upon which the account became overdrawn. If an account became overdrawn during the current day, the initials of the teller or officer who authorized the overdraft are to be substituted for the date. Each Paying teller check which overdraws an account must be reported with the name of the Paying teller who actually paid the check, not the teller who finally initials the check.

This report must be made to the General bookkeeper as early as possible each afternoon and before the other reports are completed.

Forms are to be filled in by each bookkeeper each afternoon, showing the names and amounts (thousands only) of all accounts with balances of $10,000 or over (the minimum for bank depositors is $50,000). This list may be omitted on the last day of each month.

Upon this same form are listed the names and a description of the transactions for each and every account the balance of which increased or decreased $5,000 or more since the previous day (the minimum for bank depositors is $10,000). If all the changes are correctly reported, the net amount reported by one bookkeeper (except on the bank subdivisions) should, as a rule, be within $20,000 of the day's total net changes. The description must explain in as complete a manner as possible every large increase or decrease in deposits.

As an aid in making these reports, it is suggested that a pink plug be placed in the lower portion of the ledger in front of the page for each account to be reported.

Under the heading "Items of Interest", on these forms, the bookkeeper should use his ingenuity, reporting every fact coming to his attention which might be of interest to the officers. Endorsements indicating that a depositor is depositing in another bank or that he is spending his money in an unusual manner, a sudden increase or a sudden decrease in his balance: all such facts should be included under this heading.

Each bookkeeper must each day fill in his portion of the form headed "Bookkeepers' Daily Totals".* Each set of figures must be carefully checked by another bookkeeper and initialed, to show that they are accurate.

Inquiries from Tellers

Requests for balances or for information regarding the condition of depositors' accounts *MUST TAKE PRECEDENCE ABSOLUTELY OVER ALL OTHER WORK* and *must be answered immediately.*

Requests for information as to balances must be replied to in writing and by a member either of the Bookkeeping or of the Interior Proving department.

Messengers must not be allowed to report these balances.

Each report must bear an initial showing by whom made. When the tellers request information regarding any account as to the balance "now", all checks and deposits which the bookkeepers have received must be taken into consideration and also any deposit tags which may be in the possession of the Interior Proving department.

Telephone Inquiries

No information as to whether we have any particular account, as to balances or as to any transactions may be given by any bookkeeper over the telephone.

Parties making inquiries or statements as to differences in the accounts must be connected with the Auditing department.

Unprofitable Accounts

An account with many transactions and only a small balance or one which depends upon an afternoon deposit of Clearing House checks in order to have its own checks in funds or one depositing large out-of-town checks and carrying a small balance is usually unprofitable.

A memorandum showing the facts regarding each such account should be given to the Analysis department, who will take steps to find the actual earning value of such accounts and to bring to a profitable basis any which are being handled by us at a loss.

Special Instructions

Instructions received regarding specific accounts must be recorded by the bookkeeper in the ledgers on "Watch this carefully" stickers placed upon the stop-payment flags. Any instructions received from any other source than the General bookkeeper must be reported to the General bookkeeper the same day, for confirmation and for the completion of his records.

**See Page 97.*

A list of special instructions covering the names in his ledger and statement subdivisions must be kept by each bookkeeper. When any instructions are received from the General bookkeeper regarding any of these accounts, they must be posted to this list and to the ledger not later than the following day and the date and bookkeeper's initial placed opposite the instructions on the list.

Accounts with Similar Names

For all accounts with similar names causing danger of confusion, special instructions should be issued to prevent contras. All such accounts must be reported by the bookkeepers to the General bookkeeper for the issuance of such instructions.

Accounts of Women

The name of every woman's account carried on our books must carry with it the title "Miss" or "Mrs.", when such titles are obtainable. Any new accounts without this information are to be referred to the chief clerk.

Poorly Written Figures

When the amounts on checks or deposit tags are illegibly written, they are frequently listed differently by the various clerks handling the items. The amount of every such item must be marked in pencil on the check by the clerk first handling it. Clerks subsequently receiving the item will be guided by the pencil figures but must, of course, verify their figures from the body of the check.

Lunch Hours and Conditions

Before leaving for lunch, each bookkeeper is expected to arrange in alphabetical order all of his checks and deposits so far received and which have not yet been entered in the ledger.

In order that inquiries may always be promptly answered relative to various accounts, the bookkeepers are divided into four groups:

No. 1 Group,
To consist of bookkeepers Nos. 1, 2, 3 and 5;

No. 2 Group,
To consist of bookkeepers Nos. 4, 6, 7 and 9;

No. 3 Group,
To consist of bookkeepers Nos. 8, 10, 11 and 12;

No. 4 Group,
To consist of Bank bookkeepers.

At least one of the bookkeepers from each group must be at all times at his desk and, in the absence of other bookkeepers in the group, must promptly answer all inquiries.

Before Leaving at Night

Before leaving at night, the current day's checks and deposit tags must be arranged in alphabetical order and given into the custody of the bookkeeper who is to write them on the statements or placed for him on the proper shelf in the vault. The ledgers, statements, checks and deposits must all be placed in the vault and the desks left clear, except that the statement envelopes and the new statements may be left neatly upon the top of the desks during the last week of the month. The last man on the bookkeeper's floor must see that the doors of the book-vault are closed and locked and that all adding machines are covered.

Statements of Account

The first work in the morning is the writing up of the depositors' statements. Bookkeepers must not under any circumstances do statement work for accounts which they have just previously written in the ledger. It is expected that, as a result of the statement work, any errors which may have been made the previous day on the ledgers will be discovered. Entries on the statements are made from the original deposit tags and checks.

Preliminary to writing the statements, the checks are taken to an adding machine and lists made of the checks of each account for which there are three or more checks. *Office debits must not be included in these lists.*

The checks and deposits are then listed on the statements, a separate line being used for each check except those listed on the adding machine; for these the adding machine totals are recorded together with a statement of the number of checks. The number of checks is also written upon each list.

The dates and amounts of deposits are recorded on the statements. Care must be used to see that the month and year are properly recorded at the head of the date column and that the balance forward is dated.

A brief description, such as "ret." for an item returned, "int." for interest, "x" for Transit Exchange, "coll" for a Collection desk deposit, etc., should be made for every office debit or office credit except the regular monthly interest debit.

The balance for each account in which there have been any transactions during the day is changed and the new balance placed in the column on the extreme right of the statement form, opposite the printed date.

When the checks and deposits have been written on the statements and the balances changed, the statement men call to the ledger men the balances for all accounts in which there have

been transactions. Discrepancies are at once investigated and errors corrected. Changes which show any of the previous afternoon's reports to be incorrect must be at once brought to the attention of the General bookkeeper. It is expected that the bookkeepers will so plan their work that the calling and correcting of the statements and the proving of their ledgers will be completed by 11 a. m.

Changes on the statements in the balance column must be so made that the balance as it finally appears will be opposite the correct date.

Second Day of Month

When the work for the first day of the month has been listed on the statements, all balances for all accounts must be called; the sheets in the ledgers and in the statement binders must be left in identical order each with the other. This applies to both the active and the inactive sections.

"Balancing" Statements

To close out a statement, copy the balance from the last space on the average balance stub over to the space opposite the word "balance" and write or stamp in the date.

If this amount is incorrect and cannot be altered neatly without the use of an eraser, the statement must be re-written.

Every statement must be compared with the ledger (bank accounts with the balance sheet) and initialed by some authorized employee other than the bookkeeper, before it is delivered to the depositor. The person initialing the statement will at the same time place a check mark with pen and ink or with indelible pencil opposite the balance in the ledger.

Statements must be rendered to the close of business the last day of each month for *every* account in which any change has occurred since the rendering of the last statement. This rule must be followed in *absolutely every case.*

In addition to this, statements must be promptly closed out and sent to the Statement teller whenever requested.

Statements for closed accounts must be made up throughout the month and handed to the General bookkeeper for checking and for delivery to the Auditing department not later than 9 a. m. of the day following that in which the accounts are closed.

Mail envelopes should be used for the enclosing of the statements for each closed account except when an additional "end-on" envelope is left over from the previous month.

On the end of the month, statements for closed accounts or for accounts with overdrawn balances must be held out and

given—not to the Statement teller, but to the Auditing department.

Any statement of account showing an overdraft must be referred to the officers before being delivered to the depositor.

Short-Footings

Small hard-lead pencil footings of the deposits and of the checks on all statements should be made and proved at least twice each month, it being the aim to have all checks and deposits on all statements short-footed to the second from the last day of the month.

Bookkeepers leaving for vacation or relief men during vacation periods should at no time after the 15th of the month be more than three days behind the current day's entries in their short-footing of statements.

Cancelled Checks

The checks and debits must all be counted before the statements are delivered and the total number for each account must agree with the total number of checks and debits called for by the statement. Too much stress cannot be laid upon the necessity for a careful proof of these returned vouchers, as it is highly important that every check be given back to the right depositor.

Envelopes

Envelopes are each month headed by addressograph with the depositors' names, for use of the bookkeepers. Statements, vouchers and blank acknowledgments are enclosed in these envelopes.

Left Over Statements and Envelopes

Statements and envelopes unused at the end of the month must be placed in alphabetical order by the bookkeeper and given, for future use, to the boy in charge of the addressograph.

Average Balances

Cards are provided upon which must be recorded each month the average ledger balances of all depositors. A separate card must be used for each account.

On these cards there are columns for ten consecutive years; each column has one vertical subdivision to the left of which are placed the thousands and to the right of which are placed the hundreds and tens. For instance, an amount written down as 1,34 represents an average balance of $1340.

When the balance of an account averages under $500 for the month, a rubber stamp which states "Under $500" may be used, unless there have been no transactions, in which case the actual average will be reported, $1 being written ",001", $10 being written ",01" and $100 being written ",10".

To figure average balances, the daily balances must be carried on the statement stubs opposite the correct dates.

The balance of each account which does not change on the first day of any month must be carried forward to the stub. This should be done when placing on the statements the transactions for the first of the month but may, when necessary, be omitted until later.

After filling in totals for the blank dates, the balances are to be short-footed, including the dollar column but omitting the cents, and then divided by the number of days in the month, 28, 29, 30 or 31, whichever the case may be.

In averaging an account which has been opened only a portion of the month, the total daily balance should be divided by the number of days for which the account was open.

When an account has been opened and closed intermittently, the balances on the days when the account was closed should be considered as zero and the total daily balance divided by the actual number of days in the month.

Average balance stubs may be thrown away after they have been held a full calendar month. Before throwing them away, however, the name must be torn from each slip.

New Cards and Closed Cards

The date of the opening of each account must be placed upon the average balance card when the account is opened.

When the account is closed, the closing date must be placed upon the card.

White cards for closed accounts must be transferred from the active file when the records are closed; but the blue cards* are to be left in the active file.

The old cards must be used for re-opened accounts.

Time Limit for Average Balances

Average balances must be placed upon the cards not later than the 6th day of each month, exclusive of Saturdays, Sundays and holidays.

Averages must be short-footed each month up to the 20th of the month, except in January.

Yearly averages must be placed upon the cards not later than January 29th of each year.

Yearly Averages

In figuring averages for the year, when an account sometimes has a balance under $500 and sometimes over $500, the months stamped "Under $500" will be figured as carrying an average

**From the Credit department.*

balance of $100 each and the total will then be divided by 12. Totals for new accounts will be divided by the number of months open.

End of the Month

During the last few days of the month, the following preliminary work must be done by the bookkeepers:

1. Short-foot statements (proving short-footings) to include the work of the second from the last day of the month.
2. Short-foot the number of checks on the statements wherever the number is not obvious.
3. Remove from the active section of the statement case statements for all accounts which have not changed during the month except those few accounts in which changes are expected; these unchanged statements are to be carried in front of the statement cases in alphabetical order.
4. Stamp upon all the remaining active statements the closing date.
5. Compare the envelopes to see that they are in identical order with the active statements, all left-over envelopes to be carried separately in alphabetical order.
6. See that the envelopes are properly dated and that auditor's envelopes and dated acknowledgments of correctness are enclosed.
7. Count carefully all checks, leaving them in alphabetical order, fastening together all the checks for each account and placing the number of checks in pencil on the back of the last check of each bunch. Prove the count, in each case, of all checks where the number is fifty or more.
8. If the bookkeeper desires, he may place the checks in the envelopes on the day prior to the last day of the month but, in so doing, he must carefully prove the count of checks with the number called for by the statement.

First of Month

On the first of each month, before any other entries are made in the ledger, every ledger page in the active section must be dated on the first unused line in the date column, with the current month and year. This date must be placed upon the ledger page even though a similar date was placed on the last previous line the month before and was not used owing to there having been no transactions.

On the first of each month also, the balances for the previous day are to be carried forward from the average balance slips to the new statements. These balances must not be obtained from the ledgers.

See also "Inactive Accounts" first paragraph.*

Interest to Depositors

In figuring interest, the period considered is from the 28th of one month to the 27th of the following month, both inclusive.

Not later than the 20th of each month, interest slips must be headed and the balances to the 15th filled in.

In listing the daily balances on the adding machine upon an interest slip, $10,160 should be written as "10.10" and other amounts similarly abbreviated. Any amount under $100 is ignored on the interest slips.

Each interest slip is made by the bookkeeper on whose ledger the account is carried and, for all except bank accounts, is checked by the statement-man, who must make for each account an independent set of figures, using his statements to obtain the total gross balances. The interest slip when so checked must be initialed with pen and ink by the statement-man.

Each bank bookkeeper must obtain an approximate balance between the grand total of the depositors' net daily balances as shown by his interest slips and the daily totals of credit balances for the same period as shown by the proof page in front of his ledger. The totals of the interest slips will be smaller by about $50 for each account each day. Preliminary proofs should be made to the 15th and to the 25th of each month and a final proof to the 27th. Interest is then figured for the various accounts and the interest amounts totaled. Total interest so obtained must balance with interest on the total amount of the interest slips, a variation of one cent for each account being permitted.

Interest on $1 for one day at 2% per annum in a year of 365 days is $.0000548

Interest on $1 for one day at 2% per annum in a year of 366 days is $.0000546.

The quickest way to figure interest is to multiply the gross balances for one day by this fraction, using the adding machine.

When the interest for any month figures less than $1 for a depositor's account, interest is not allowed even though the name of the account be on the list of depositors to whom

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interest is allowed. Interest bearing accounts with balances under $5000 must be referred to the officers before interest is allowed.

Suggestions for Locating Differences

Provision is made frequently throughout the bank for listing certain items twice, the items being arranged in different order in the two lists and being listed by different clerks or different departments. Proof of the correctness of the listing is that the totals are equal. Totals on the bookkeeper's Daily Check Proof must equal totals on the Interior Proving department's records. Totals on the Interior Proving department's records must equal totals on the tellers' blotters. Out-Clearing checks and Transit Account totals must equal tellers' totals. The following suggestions are made for locating errors which cause differences between the totals of these lists:

1. Find the exact amount of the difference.

2. See if one more item for this amount has been entered on one list than on the other.

3. The bulk of the items on all records are listed by use of the adding machine. Changes are made in ink. Test the changes to see if they have been made correctly.

4. If the amount of the difference is divisible by 2, see if half the amount has, through error, been added to one of the lists when it should have been subtracted or subtracted from the other when it should have been added.

5. Find whether the difference may have been caused by transposition of the digits in the amount of some check. To do this, add the digits of the difference to find whether the total is divisible by 9.*[1] If the sum of the digits is divisible by 9, then the amount itself is divisible by 9 and the difference may have been caused by a transposition.

To find what amounts may have been transposed, divide the amount of the difference by 9 and then add the quotient to the amount of the difference.*[2] The digits of the amount so produced may have been transposed to cause the difference.*[3] Look for this

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*[1] *For a difference of 157.05, the sum of the digits is 18, which is divisible by 9; (1+5+7+0+5=18).*

*[2] 157.05÷9= 17.45; 17.45+ 157.05= 174.50
360 ÷9= 40 ; 40 + 360 = 400
3960 ÷9=440 ; 440 +3960 =4400

*[3] 174.50 *listed as* 17.45 *would cause a difference of* 157.05
400 " " 40 " " " " " 360
{ 4400 " " 440 " " " " " 3960
{ 4000 " " 040 " " " " " 3960

amount in one list and see if it has been transposed in the other. If the apparently transposed amount has only one digit other than "0," the one digit may have been transposed with "0" or may be the amount of variation between two other digits which have been transposed.*[4] The digits in all columns other than the two affected must be ignored.*[5] Look for such a variation between figures in the two columns.

6. Classify and divide the items on the two lists and relist them on the adding machine in these new divisions instead of checking the amounts item by item from list to list. For instance, if the difference is 1c., relist all the items ending in 1c., then, if necessary, all ending in 3c., then all ending in 7c., then all ending in 9c. and, finally, all ending in 5c. (or all ending in 4c. and in 6c.). If any item in either list which should end in 0c. or in 2c. has been listed as ending in 1c. or if any item which should end in 1c. has been incorrectly listed, the error should be located by listing those items which end in 1c. The difference between the totals of the two lists will be the amount of the incorrectly listed item, not 1c. Judgment must be used in classifying the items to be re-listed. Suggested classifications are: all over $1000, all between $500 and $999.99, all between $100 and $499.99, all between $50 and $99.99, all between $10 and $49.99 and all under $10; or: all with 1, all with 3, all with 7, all with 9, all with 4 and all with 6 in certain columns. Other combinations may, at times, be preferable.

*[4] *A difference of $360 would appear to represent a transposition in the digits of $400 to read $40. Looking for a variation of 4 between digits in the $100 column and in the $10 column, the difference may be found to have been caused by a transposition between the amounts 40 and 400 or 150 and 510 or 260 and 620 or 370 and 730 or 480 and 840 or 590 and 950. The difference between the digits for any one of these amounts is 4. The same rule would apply for a difference of $3960, apparently caused by a transposition in the digits of 4000 and 40; the variation of 4 must be between the digits in the $1000 column and the $10 column.*

*[5] *The $3960 difference is caused as readily by a transposition of the digits in the amounts 3175 and 7135 as in the simpler amounts 3070 and 7030.*

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